

DRAFT RULES UNDER THE COMPANIES ACT 2013

INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY RULES, 2013

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**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY,
PART-II, SECTION 3, SUB-SECTION (i)]**

GOVERNMENT OF INDIA

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi dated the _____ 2013

G.S.R. _____ (E).- In exercise of the powers conferred by sub-section (5) of section 125 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely:-

**CHAPTER I
PRELIMINARY**

Short title, extent and commencement.

1. These Rules may be called the Investor Education and Protection Fund Authority Rules, 2013.
2. They shall come in to effect from _____.

Definitions.

3. (1) In these rules, unless the context otherwise requires,—
 - a. “Act” means the Companies Act 2013
 - b. “Authority” means the Investor Education and Protection Fund (IEPF) Authority established under section 125(5) of the Act;
 - c. “CEO” means Chief Executive Officer of the Authority
 - d. “Chairperson” means the Chairperson of the Authority;
 - e. “existing IEPF ” means the Investor Education and Protection Fund under section 205C of the Companies Act, 1956;
 - f. “Fund” means the Investor Education and Protection Fund constituted under section 125;
 - g. “**IEPF**” means Investor Education and Protection Fund (established under section 125(1) of the Companies Act 2013) to educate and protect interest of investors, constituted and notified under section 125(5) of the Act and managed by the Authority;
 - h. “Investor” means any person who has committed money in shares, or debentures, bond or deposits under a scheme or plan of a company registered under the Companies Act, 2013;

- i. “Member” means a member of the Authority and includes the Chairman;
- j. “Notification” means a notification published in the Official Gazette;
- k. “Prescribed” means prescribed by rules made under the Act.

(2) Words and expressions used and not defined in these rules but defined in the Companies Act, 2013 shall have the meanings respectively assigned to them in that Act.

CHAPTER II ESTABLISHMENT OF THE IEPF AUTHORITY

4. Establishment of IEPF Authority.

- i. The date of establishment of the Authority shall be as prescribed in the notification issued in this regard by Central Government under section 125(5) of the Act.
- ii. The head office of the Authority shall be at New Delhi.
- iii. The Authority may establish offices at other places in India with the prior approval of the Central Government.

5. Chairperson of the Authority

The Secretary, Ministry of Corporate Affairs shall be the ex-officio Chairperson of the Authority.

6. Members of the Authority.

(i) The following shall be the members of the Authority, to be appointed by Central Government by notification, namely:—

- a. a nominee of the Reserve Bank of India of the rank of Executive Director or above as ex-officio member
- b. a nominee of the Securities and Exchange Board of India of the rank of Executive Director or above as ex-officio member
- c. An eminent legal expert to be nominated by the Central Government;
- d. Three members having experience of working for at least 15 years in investor education and/or protection and have a good standing to be nominated by the Central Government.

(ii) The CEO will be the convenor of the Authority.

7. Tenure of office and conditions of service members of the Authority.

- a. The members appointed under rule 6 (c) and (d) shall hold office for a period of three years. Member of the Authority appointed under rule 6 (c) and (d) shall be eligible to be reappointed for a maximum of two terms and shall be eligible for reappointment only after a cooling off period of three years.
- b. Notwithstanding anything contained in sub-rule (1), the Central Government shall have the right to terminate the services of a member appointed under rule 6 (c) and (d), at any time before the expiry of the period prescribed under rule 7(a). Similarly, such member can resign from the Authority at any time before expiry of their term.

8. Chief Executive Officer of the Authority

The Central Government shall appoint a chief executive officer (CEO) of the level of SAG rank in Indian Company Law Services or similar Central Government Service and shall be responsible for day to day operations and management of the authority.

9. Officers and employees of the Authority.

- (1) The Central Government shall appoint officers by transfer/deputation from Indian Company Law Services or any Central Government Services to the Authority as per details given at Annexure I.
- (2) The Authority may outsource requirement for such other supporting staff to assist these officers as it considers necessary for the efficient discharge of its functions under this Act in consultation with the Central Government.

10. Functions of Authority.

- (1) Subject to the provisions of this Act, the Authority shall be responsible for the administration of the Fund established under sub-section (1) of section 125 for the purposes of carrying out the objects for which the Fund is established.
- (2) Without prejudice to the provisions of sub-rule 10 (1), the Authority shall generally be responsible for ensuring compliance of provisions of Section 124(5)&(6) of the Act by the concerned companies.
- (3) Any other activity deemed fit to meet the objective of the Fund. The Authority may be entrusted by the Central Government with such other functions for carrying out the objects for which the Fund has been established

11. Functioning of the Authority

- (a) The general management of the affairs of the Authority shall vest in the CEO, who may exercise all powers and do all acts and things which may be authorised by the Authority.

Provided that the CEO will function under superintendence and direction of the Chairperson.

- (b) The Authority may constitute permanent committees for overseeing its functions. Each of the committee shall be headed by one of the ex-officio members of the Authority, one member, CEO and concerned functional head, who will be the secretary of the Committee.
- (c) The Committees may invite experts with special knowledge and expertise, as and when required to assist them on any specific issue.
- (d) The broad functional divisions of the Authority shall be as per Annexure II.

12. Meetings.

- a) The Authority and its committees shall meet at such times and places as it may consider necessary. In case the meetings of the Authority or its committees is to be held at a place other than the Head Office of the Authority, the approval of the Chairperson of the Authority shall be obtained indicating the reasons thereof.
- b) At least one meeting of Authority and each of the Committee shall be held in a calendar quarter and at least four meeting shall be held in a financial year, in a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings.
- c) The meeting of the Authority shall be presided over by the Chairperson. If for any reason, he is unable to attend a meeting of the Authority, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting.
- d) In case of difference in opinion on any questions before the Authority or any of its committees, the views of the majority will be taken as the final decision.

13. Member not to participate in meetings in certain cases.

Any member, who is a director or an employee of a company and who as such director or as an employee has any direct or indirect pecuniary interest in any matter coming up for consideration at a meeting of the Authority and its committees, shall, as soon as possible after relevant circumstances have come to his knowledge, disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Authority and its committees, and the member shall not take any part in any deliberation or decision of the Authority and its committees with respect to that matter.

14. Vacancies, etc., not to invalidate proceedings of Authority.

No act or proceeding of the Authority and its committees shall be invalid merely by reason of-

- (a) any vacancy in, or any defect in the constitution of, the Authority and its committees; or
- (b) any defect in the appointment of a person acting as a member of the Authority and its committees ; or
- (c) any irregularity in the procedure of the Authority and its committees not affecting the merits of the case.

CHAPTER III FINANCE, ACCOUNTS AND AUDIT

15. Fund.

- 1) The following shall be credited to the fund
 - a. All amounts payable as mentioned in sub-section 2(a) through to sub-section 2(m) of section 125 of the Act.
 - b. All amounts payable under section 38(4) of the act read with Section 447 of the act.
 - c. All amounts payable under section 242(2)(i) of the Act.
 - d. All shares in accordance with sub section 124(6) of the Act.
 - e. All the resultant benefit(s) arising out of shares held by the authority under (e)above.
 - f. All grants, fees and charges received by the Authority under these Rules;
 - g. All sums received by the Authority from such other sources as may be decided upon by the Central Government.
 - h. All income net of expenses earned by the Authority in any year
 - i. All other sums of money collected by the Authority as envisaged in the Act.

Explanation – In case of term deposits and bonds of companies, due unpaid/unclaimed interest shall be credited to the Fund only on the due date of transfer of the matured amount of such term deposits and bonds i.e. on expiry of seven years from the date of their maturity.

- 2) Authority shall classify all the funds into three different heads:
 - a. **Trust funds:** to this account all the funds and securities which are received by the fund but could be claimed back by the rightful owner in future should be credited.
 - b. **IEPF Capital Fund:** All other sums of money received by the authority other than on revenue account shall be credited to this account
 - c. **Revenue Account:** all the revenue receipts of the fund whether on account of interest and or income of Trust Fund, Capital fund or of any other nature shall be credited to this account.

- 3) Utilisation of the funds standing to credit in the respective fund accounts shall be as under;
- a) The Trust funds shall be applied for settling the claim of respective beneficial owner or for transfer to IEPF capital funds after expiry of time period, if any prescribed by Central Government.
 - b) All income received from IEPF Capital fund shall accrue to the Revenue Account.
 - c) The funds lying in Revenue account only shall be applied for meeting—
 - i. Interest payable, if any, on unpaid and unclaimed amounts lying with the Fund at the rate prescribed by the Central Government;
 - ii. the salaries, allowances and other remuneration of the members, officers and other employees of the Authority;
 - iii. The expenses of the Authority in the discharge of its functions under rule 10;
 - iv. the expenses on objects and for purposes authorised by these rules in accordance with section 125 of the Act.

16. Accounts and audit.

- (1) The Authority shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.
- (2) The accounts of the Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Authority to the Comptroller and Auditor-General of India.
- (3) The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Authority shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Authority.
- (4) The accounts of the Authority as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.

CHAPTER IV MISCELLANEOUS

17. Transfer of assets, liabilities, etc., of the existing IEPF to the Authority.

- (1) On and from the date of establishment of the Authority,—
- a) any reference to the existing IEPF in any law other than these Rules or in any contract or other instrument shall be deemed as a reference to the IEPF under the Authority;
 - b) all properties and assets, movable and immovable, of, or belonging to, the existing IEPF, shall vest in the Authority;
 - c) all rights and liabilities of the existing IEPF shall be transferred to, and be the rights and liabilities of, the Authority;
 - d) without prejudice to the provisions of rule 12(1) (c), all debts, obligations and liabilities incurred, all contracts entered into and all matters and things engaged to be done by, with or for the existing IEPF immediately before that date, for or in connection with the purpose of the said existing IEPF shall be deemed to have been incurred, entered into, or engaged to be done by, with or for, the Authority;
 - e) all sums of money due to the existing IEPF immediately before that date shall be deemed to be due to the Authority;
 - f) all suits and other legal proceedings instituted or which could have been instituted by or against the existing IEPF immediately before that date may be continued or may be instituted by or against the Authority.

18. Power of Central Government to issue directions.

Without prejudice to the foregoing provisions of these Rules, the Authority shall, in exercise of its powers or the performance of its functions under this Act, be bound by such directions on questions of policy as the Central Government may give in writing to it from time to time:

19. Returns and reports.

(1) The Authority shall furnish to the Central Government at such time and in such form and manner as may be prescribed or as the Central Government may direct, such returns and statements and such particulars in regard to its activity.

(2) Without prejudice to the provisions of sub-rule 19 (1), the Authority shall, within 180 days after the end of each financial year, submit to the Central Government a report in

such form, as may be prescribed, giving a true and full account of its activities during the previous financial year.

20. Protection of action taken in good faith.

No suit, prosecution or other legal proceedings shall lie against the Central Government or Authority or any officer of the Central Government or any member, officer or other employee of the Authority for anything which is in good faith done or intended to be done under this Act or the rules or regulations made thereunder.

21. Exemption from tax on wealth and income.

Notwithstanding anything contained in the Wealth-tax Act, 1957 (27 of 1957), the Income-tax Act, 1961 (43 of 1961) or any other enactment for the time being in force relating to tax on wealth, income, profits or gains—

(a) the Authority;

(b) The IEPF Fund;

(c) the existing IEPF fund under section 205C of the Companies Act, 1956 from the date of its constitution to the date of establishment of the Authority, shall not be liable to pay wealth-tax, income-tax or any other tax in respect of their wealth, income, profits or gains derived.

22. Repeal and saving.

(1) The existing Investor Education and Protection Fund Rules framed in accordance with section 205C of The Companies Act 1956 are repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the said rules shall be deemed to have been done or taken under the corresponding provisions of this Act.

Annexure I

S.No.	Designation		Pay Scale	Number of posts
1.	Senior Manager	Accounting, administration and legal	JAG	1
2.	Senior Manager	Fund management and finance division & Claims and refunds	JAG	1
3.	Senior Manager	Investor Education.	JAG	1
4.	Manager	Accounting,	STS	1
5.	Manager	Fund management and finance division	STS	1
6.	Manager	Investor Education.	STS	1
7.	Manager	Accounting	STS	1
8.	Manager	Claims and refunds	STS	1
9.	Manager	legal	STS	1
10.	Assistant Manager		JTS	12

Annexure II

Functional divisions of the Authority

1) Administration,

- (a) establishing, equipping, maintaining and operating all administrative functions as may be necessary or deemed expedient for fulfilling the objects of the Fund;
- (b) framing regulations for staff of authority, recruitment of staff
- (c) Authority and committees of Authority related matters

2) Investment/ funds management division ,

- (a) maintaining funds standing to the credit of IEPF, investing the same in interest bearing account of any nationalised bank.
- (b) Opening of depository account of authority and transferring into the account securities of investor as per section 19 of this Act and transferring to investors account securities upon settlement of the claim.

3) claims and settlement,

- (a) Making refunds to eligible investors after following due procedure in respect of claims lodged by investors in accordance with the section 125(3)(a) of the Act and rules made thereunder.
- (b) Distribution of disgorgement amount as per order of the court or authority.

- (c) Distribution of disgorged amount in consultation with Legal and Enforcement Division, to eligible and identified security holders who have suffered losses due to any wrong actions of any person in accordance with the order of tribunal or order of the authority as the case may be. The amount to be distributed shall be limited to amount disgorged in respect of any particular order and no other funds can be used for distribution.

4) legal and Enforcement,

- (a) initiation of legal cases against non-compliant companies/persons
- (b) handling disputes and legal cases arising out of claims/settlement or any other dispute
- (c) Reimbursement of funds from IEPF for meeting legal expenses incurred in pursuing class action suits under section 37 and 245 of the Act by members, debenture holders or depositors as sanctioned by tribunal in accordance with procedure prescribed in this regard.

5) Investor Education and Protection,

- (a) registering associations or institutions or professional bodies or chambers of commerce and industry or other organizations engaged in investor education and protection activities;
- (b) sanctioning grants to the registered entities for seminars, programmes, projects or activities in the field of corporate governance, Investors' Education and Protection including research activities;
- (c) monitoring of the utilization of the grants to ensure the achievements of the objectives of the sanctioning of the grants;
- (d) cooperating and/or collaborating with institutions engaged in Investor Education, corporate governance, awareness, and protection activities;
- (e) conducting on its own or in collaboration with entities engaged in Investor education and protection or academic institutions or other regulated entities like Stock Exchanges, Depositories, Banks and Mutual funds nationwide Investors' education and awareness Programmes including seminars and symposia;

- (f) Setting up of institutional arrangements or infrastructure for taking up programmes; projects and action plans keeping in view the objectives and expenditure relating thereto, including research and training activities;
 - (g) publishing and disseminating information for investors' benefit and objects and achievements of the Fund;
 - (h) Advising Central Government on the issues related to Investors' interest.
 - (i) Sponsor specific studies/research/analysis for the development of capital market;
- 6) Finance, accounts and audit division
- (a) keep proper accounts and segregate the funds,
 - (b) Reconciliation of accounts of investors.
 - (c) Preparation of all accounting reports, audit work and annual report.
 - (d) Returns to central government
 - (e) Preparation of budget of authority and its monitoring
 - (f) Accounting for all claims of investor in respective accounts.
 - (g) Procedure for accounting of investors funds and securities

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, PART II SECTION 3 SUB-SECTION (ii), EXTRAORDINARY]

GOVERNMENT OF INDIA
Ministry of Corporate Affairs
Notification

New Delhi, dated the , 2013.

S.O. (E).- In exercise of the powers conferred by sub-section (5) of section 125 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the Authority ,consisting of the following persons, to administer the IEPF Authority established by the Central Government vide G.S.R. NO. (E) dated , namely:-

- | | | |
|-----|-----------------------------------|--------------|
| (1) | Shri Naved Masood, Secretary, MCA | Chairperson, |
| (2) | Shri _____, _____, RBI | Member, |
| (3) | Shri _____, _____, SEBI | Member, |
| (4) | Shri _____, _____, | Member, |
| (5) | Shri _____, _____, | Member, |
| (6) | Shri _____, _____, | Member, |
| (7) | Shri _____, _____, | Member, |

2. The members shall hold the office for a period of three years from the date of publication of the notification in the Official Gazette.

[F.No. / /2013-IEPF]

Amardeep Singh Bhatia
Joint Secretary.