

Investor Education and Protection Fund Authority
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NOTICE

Sub: Notice inviting comments from various stakeholders on draft rules for refund process from IEPF Authority

Investor Education and Protection Fund Authority invites comments on the draft procedure on refund process at IEPF Authority to simplify and expedite the process of claim refund from IEPF Authority under Companies Act 2013.

2. The comments may be suggested via email iepfa.consultation@mca.gov.in till 15th April 2024. Comments may be provided in the following format (soft copy as well as in signed pdf).

S. No.	Para of Draft Rules	Comments	Justification

Comments can also be suggested through e-Consultation module of MCA.

3. This issues with approval of Competent Authority.



(Tushar Anand)
General Manager
IEPF Authority

Consultation on refund process from IEPF Authority

A. Objective: To simplify and expedite the process of claim refund filed with IEPF Authority under Companies Act 2013.

B. Background: Government of India, has in accordance with the provisions of sub- section (5) of section 125 of Companies Act, 2013, established IEPF Authority (the Authority) for administration of the Investor Education and Protection Fund (the fund). The Authority has been entrusted with the responsibility to administer the fund as per section 125 (3) of Companies Act 2013 which mandates utilization of fund for:

(a) the refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest thereon;

(b) promotion of investors' education, awareness and protection;

(c) distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the Court which had ordered disgorgement;

(d) reimbursement of legal expenses incurred in pursuing class action suits under sections 37 and 245 by members, debenture-holders or depositors as may be sanctioned by the Tribunal; and

(e) any other purpose incidental thereto, in accordance with such rules as may be prescribed.

2. For the purpose of facilitating refund of claims in respect of shares, unclaimed dividends, debentures etc. the Central Govt. has on 05.09.2016 notified Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time.

3. The Government of India is taking various steps to reduce the levels of unclaimed assets and to expedite the refund of these assets to the rightful claimants. The matter has been actively discussed in Financial Stability and Development Council (FSDC) and it has been mandated to proactively reach out to investors.

4. It has also been emphasized on expediting the process of reclamation with a targeted timeline cognizant of the difficulties faced when nominees are not easily identifiable. A special drive for all unclaimed funds, deposits, and shares where nominees are clearly identified, encouraging regulators to proactively facilitate this process has also been mandated

C. Rule Making/ Regulatory Practices: A Consultation paper was issued inviting comments from stakeholders on the refund process from the Authority on 09th January, 2023. In addition, various model for refund of unclaimed assets notified by various other regulators were examined. These include "The Depositor Education and Awareness Fund Scheme, 2014" notified by Reserve Bank of India and

Procedural framework for dealing with unclaimed amounts lying with entities having listed non-convertible securities and manner of claiming of such amounts by Investors; Procedural framework for dealing with unclaimed amounts lying with Infrastructure Investment Trusts (InvITS) and manner of claiming of such amounts by their unit holders and Procedural framework for dealing with unclaimed amounts lying with Real Estate Investment Trusts (REITS) and manner of claiming of such amounts by their unit holders, notified by Securities and Exchange Board of India.

D. Proposal to ease the process of claims and refund: In order to ease the process of refund, it is being explored that the process of claim and refund will be done based upon the verification of the respective companies.

2. The Authority shall based upon the approval of the company refund the shares and the amount, as the case may be, to the respective company for further refunding it to the rightful claimant.

3. The proposed changes in Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time are as at **Annexure A**.

4. The Authority invites comments from all stakeholders on the proposal.

Amendments to Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time

A. Following definitions will be added in Rule 2. (1)

2. (1)

(j) "Claims Refund Account" means the bank account opened by the company in any scheduled bank to receive refund of the amount from the Authority on behalf of the claimants for further disbursal to the claimants.

(k) "Shares Refund Account" means the DEMAT account opened by the company to receive refund of the shares from the Authority on behalf of the claimants for further disbursal to the claimants

B. Substitution of Rule 7 as follows:

7. Refund to claimants from Fund.

- 1) Any person whose shares, unclaimed dividend, matured deposits, matured debentures, application money due for refund, or interest thereon, sale proceeds of fractional shares, redemption proceeds of preference shares etc., has been transferred to the Fund, may claim the shares under proviso to sub-section (6) of section 124 or apply for refund under clause (a) of sub-section (3) of section 125 or under proviso to sub-section (3) of section 125, as the case may be, to the Authority by submitting an online application in Form IEPF-5 along with fee specified by the Authority from time to time in consultation with the Central Government.
- 2) Upon submission, Form No. IEPF-5 shall be transmitted online to the Nodal Officer of the company for verification of claim:

Provided that the claimant after making an application in Form No. IEPF-5 under sub rule 1, shall send original physical share certificate,

original bond, deposit certificate, debenture certificate, as the case may be, along with Indemnity Bond, any other document as enumerated in Form No. IEPF-5, duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of the claim.

(2A) Every company which is required to credit amounts or shares to the fund or has deposited the amount or transferred the shares to the Fund shall nominate a Nodal Officer, who shall either be a Director or Chief financial Officer or Company Secretary of the company, for the purposes of verification of claims and coordination with Investor Education and Protection Fund Authority:

Provided that a company may appoint one or more Officer as Deputy Nodal Officer to assist the Nodal Officer for the purposes of verification of claim and for coordination with Investor Education and Protection Fund Authority:

Provided further that the Nodal Officer shall be solely liable for all actions of any officer appointed as Deputy Nodal Officer:

Provided also that in case a company fails to appoint Nodal Officer, every director of the company shall be deemed to be nodal officer and be liable for any failure to comply with requirement of these rules.

(2B) The details of the Nodal Officer and Deputy Nodal Officer duly indicating his or her designation, postal address, telephone and mobile number and company authorized e-mail ID shall be communicated to the Investor Education and Protection Fund Authority in Form No. IEPF-2 within fifteen days from the date of publication of these rules and the company shall display the name of Nodal Officer and his e-mail ID on its website:

Provided that any change in the Nodal Officer or his details shall be communicated to the Authority through Form No. IEPF-2 within seven days of such change along with board resolution thereof.

(2C) The details of the Claims Refund Account and the Shares Refund Account shall be communicated to the Authority in Form No. IEPF-2A within fifteen days from the date of publication of these rules.

(3) (i) The company shall, within thirty days from the date of receipt of a claim in form IEPF-5, send a verification report, indicating whether the claim is approved or rejected, to the Authority after verification of details in Form No. IEPF-5 in the format specified by the Authority. Along with the verification report, the Company shall attach, after due certification from its nodal officer:

- a) all the documents submitted by the claimant in Form IEPF-5,
- b) scanned copies of all original documents submitted by the claimant in physical form to the company, and
- c) a scanned copy of both sides of original physical share certificate or original bond or deposit or debenture certificates duly cancelled and certified.

Provided that in case the claim is rejected by the company, the reason thereof shall be informed to the claimant and the claim shall be closed.

Explanation.- In case (i) loss of original physical share certificate or original bond or deposit or debenture certificate or proof of entitlement, the listed company and the respective claimant shall follow the procedure as laid down in the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, guidelines, procedures and circulars issued from time to time and the procedure as laid down in the Schedule III of these rules shall be followed by the unlisted company and the respective claimant. (ii) The Company shall be solely responsible for collecting original physical share certificate or original bond or deposit or debenture certificate or proof of entitlement from the claimant and shall be liable for any misuse thereof.

(ii) If the verification report is not sent by the company within thirty days of the receipt of the claim by the company, the company may do

so by paying additional fee of two hundred rupees for every day subject to maximum of six thousand rupees:

Provided further that the company shall be liable to maintain the original documents submitted to it by the claimant and shall produce such documents whenever required:

(4) In case, the verification report is not received by the Authority within a period of sixty days from the date of the receipt of the claim by the company, the Authority may reject the claim.

(5) In case, the company fails to submit a verification report of a claim within a period of sixty days from the date of the receipt of the claim by the company, the company and its Nodal Officer shall be liable for penalty as per the provisions of section 450 of the Act.

(6) After approval of the entitlement of the claimant's claim by the company, the Authority-

(a) shall present a bill to the Pay and Accounts Office for e-payment to the claim refund account of the company and the company shall further credit the same to the account of the claimant

(b) shall credit the shares to the shares refund account of the company and the company shall further credit the same to the DEMAT account of the claimant

Provided that the Company shall credit the amount and shares so received to the claimant within 15 days of its receipt from the Authority.

Provided further that, the company and its Nodal Officer shall be liable for penalty as per the provisions of section 450 of the Act, if there is a delay in credit of the amount and shares to the claimant.

(7) The Authority shall, in its records, cause a note to be made of all the payments and share transfers made under sub-rule (6).

Provided that the company shall be required to send the refund transaction number or IDs for credit of the amount or shares to the claimant to the Authority within 15 days of the receipt of amount

or shares in the Claims Refund Account or Shares Refund Account, as the case may be.

(8) After a verification report containing an approval for refund of shares or amount, or both, is received from a company, the Authority shall make the refund of the shares or amount, or both, as the case may be, within a period of forty-five days from the receipt of such verification report, in accordance with Schedule IV.

(9) In case, claimant is a legal heir or successor or administrator or nominee of the registered share holder, the claimant shall submit a self-attested scanned copy of all documents detailed in Schedule II of these rules online along with the Form No. IEPF-5:

Provided further that the claimant shall submit in original all these documents duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of claim.

(10) In case, claimant is a legal heir or successor or administrator or nominee of any other registered security or in cases where request of transfer or transmission of shares is received after the transfer of shares by company to the Authority, the company shall verify all requisite documents required for registering transfer or transmission and shall issue letter to the claimant indicating his entitlement to the said security and furnish a copy of the same to the Authority while approving the claim of such claimant through its verification report.

Provided that the authority shall dispose such request of transfer or transmission based on the verification report of the company.

(11)(a) The company shall be liable under all circumstances whatsoever to indemnify the Authority in case of any dispute or lawsuit that may be initiated due to any incongruity or inconsistency or disparity in the verification report or otherwise and the Authority shall not be liable to indemnify the security holder or Company for any liability arising out of any discrepancy in verification report submitted etc., leading to any litigation or complaint arising thereof.

(b) Any fraudulent claim by the claimant shall be deemed to be fraud within the meaning of section 447 of the Act and the claimant shall be liable accordingly.

(c) If any person deceitfully personates an owner of any security or of any share warrant or coupon issued in pursuance of this Act and thereby files any claim to obtain or attempts to obtain any such security or interest or any such warrant or coupon due to the lawful owner, he shall be liable under sections 57, 447 and 448 of the Act.

(d) The Authority may prescribe operational guidelines for the purpose of claim and refund to the company or the claimant.

C. Renaming of Schedule II as follows:

Schedule II: Documents to be submitted to the Company to register transmission of securities

Schedule III: Documents to be submitted to the Company in case of loss of securities held in physical mode.

D. Substitution of Schedule IV as follows:

Schedule IV: Procedure to be followed while disposing the claims

The company shall be responsible for verifying the genuineness and entitlement of the claimant by doing the necessary verification through Aadhar Card, PAN Card, Passport, any other Government ID proof, matching of signature and photo etc. The company shall verify such documents as may be required and enumerated in form IEPF-5 and retain the originals submitted by the claimant. The company shall be responsible to verify the amount and shares involved in the claim according to the e-filings made by it to the Authority. The company shall submit e-verification report to the Authority either approving or rejecting the claim and follow following indicative procedures while disposing the claims:

- (i) Completeness of all the information provided in Form No. IEPF-5.
- (ii) Affidavit and other supporting documents viz. Gazette Notification for name change, marriage certificate, other identity proof etc. for change or variations in name in various documents, share certificates etc.

- (iii) Indemnity on stamp paper of appropriate value in the name of claimant as per Stamp Act
- (iv) Verification of the PAN details of the Claimant with Client Master List (CML)
- (v) Verification and matching of DEMAT Account No, Name of claimant, PAN, Address from the CML.
- (vi) In addition, the company may seek any other documents, clarification etc. from the claimant as and when required for disposing the claim.

2. (i) The Authority shall dispose claims in straight through process based upon company's approved verification report:

(ii) The details of amount due to the claimant are to be verified from e form IEPF-1 or INV-1 or IEPF-1A or IEPF-7. In case of non-availability of the data in MCA system, proportionate deductions in the refund amount can be made. The details of the shares due to the claimant will be verified from the DEMAT Account of the Authority