

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 13th January, 2016

G.S.R. 26(E).—In exercise of the powers conferred by sub-sections (5), (6) and (7) of section 125 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely:-

- 1. Short title, extent and commencement.** - (1) These rules may be called the Investor Education and Protection Fund Authority (Appointment of Chairperson and Members, holding of meetings and provision for offices and officers) Rules, 2016.
- (2) They shall come into force on the date of their publication in the Official Gazette.
- 2. Definitions.**- (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 Authority constituted under sub-section (5) of section 125 of the Act;
- (c) “Chairperson” means the chairperson of the authority appointed under rule (5) of these rules;
- (d) “Company” means company as defined in sub-section (20) of section 2 of the Act and includes ‘corresponding new bank’ as defined in sub-section (d) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) and clause (b) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980);
- (e) “Fund” means the Investor Education and Protection Fund (IEPF) established under section 125 of the Act;
- (f) “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 Act;
- (g) “Member” means members of the Authority appointed under sub-section (6) of section 125 of the Act; and
- (h) “Section” means the section of the Act.
- (2) Words and expressions used in these rules and not defined herein but defined in the Act or in the Companies (Specification of Definitions Details) Rules, 2014, shall have the same meanings respectively assigned to them in the Act or in the said rules.
- 3. Establishment of the Authority.**- The Authority shall be established on such date as may be notified by the Central Government.
- 4. Composition of the Authority.**- (1) The Authority shall consist of the following, namely:-
- (a) Chairperson
- (b) six members
- (c) Chief Executive Officer
- (2) The Chief Executive Officer shall be the convenor of the Authority.
- 5. Chairperson of the Authority.**- The Secretary, Ministry of Corporate Affairs shall be the *ex-officio* Chairperson of the Authority.
- 6. Chief Executive Officer of the Authority.**- The Central Government shall appoint a person to be the Chief Executive Officer of the Authority.
- 7. Members of the Authority.**- The Central Government may appoint the following as the members of the Authority, namely:—
- (i) a person not below the rank of Executive Director to be nominated by the Reserve Bank of India as *ex-officio* member;
- (ii) a person not below the rank of Executive Director to be nominated by the Securities and Exchange Board of India as *ex-officio* member;
- (iii) four persons having special knowledge and experience of not less than fifteen years, in finance, management, accountancy or law with one person from each discipline and such person shall have special knowledge, or professional experience, which shall in the opinion of the Central Government shall be useful to the Authority.

- 8. The term of office of members of the Authority.-** (1) The members of the Authority appointed under clause (iii) of rule 7 shall hold office for a period of three years and shall be eligible for reappointment;

Provided that no member shall hold office for more than three terms.

Provided further that a member shall be eligible for reappointment after expiration of cooling off period of three years after his term.

(2) Notwithstanding anything contained in sub-rule (1), the Central Government shall have the right to terminate the services of a member appointed under clause (iii) of rule 7, at any time before the expiry of the period specified under sub-rule (1), by giving him notice of not less than three months in writing for reasons mentioned in sub-rule (4), and a member shall also have the right to relinquish his office, at any time before the expiry of the period specified under sub-rule (1), by giving to the Central Government notice of not less than three months in writing.

(3) The members appointed under clause (iii) of rule 7 shall hold office for a period of three years or till attaining the age of 65 years whichever is earlier.

(4) The Central Government shall remove a member from office if he—

- (a) is, or at any time has been, adjudicated as insolvent;
- (b) is of unsound mind and stands so declared by a competent court;
- (c) has been convicted of an offence which, in the opinion of the Central Government, involves a moral turpitude;
- (d) has, in the opinion of the Central Government, so abused his position as to render his continuation in office detrimental to the public interest.

Provided that no member shall be removed under this sub-rule unless he has been given a reasonable opportunity of being heard in the matter.

- 9. The number of officers and employees of the Authority.-** The Authority shall have such number of officers and other employees for rendering secretarial assistance and for its day to day functions as are set out in Schedule I to these rules.

- 10. Functions of the Authority.-** (1) Subject to the provision of the Act, the Authority shall have the duty to administer the Fund for Investor Education and Protection.

(2) The general management of the affairs of the Authority shall vest in the Chief Executive Officer, who may exercise powers, which may be authorised by the Authority.

(3) The Chief Executive Officer shall function under superintendence and direction of the Chairperson.

(4) Without prejudice to the generality of the provisions, the functions of the Authority shall include the following, namely:-

- (a) The Authority may constitute permanent Committees for overseeing its functions;
- (b) Each Committee shall comprise two members, Chief Executive Officer and concerned functional head, who shall be the secretary of the Committee. The Committee shall be headed by an ex-officio member;
- (c) The Committee may invite experts with special knowledge and expertise, as and when required to assist it on any specific issue;

(b) The Authority may outsource, if required, work related to Funds and Shares Management.

(c) The broad functional divisions of the Authority shall be as per Schedule II to these rules.

11. **Meetings.-** (1) The Authority and its Committees shall meet at such times and places as it may consider necessary.

(2) The Authority and its Committees shall determine its own procedure for holding of meetings.

(3) If the Authority or its Committees has to hold a meeting elsewhere than in New Delhi, the approval of the Chairperson of the Authority shall be obtained indicating the reasons thereof.

(4) The Authority and the Committees shall meet at least once in a quarter and at least four such meetings shall be held in a financial year:

Provided that not more than one hundred and twenty days shall intervene between two consecutive meetings.

(5) The meeting of the Authority shall be presided over by the Chairperson.

(6) If for any reason, the Chairperson is unable to attend a meeting, any other Member chosen by the Members present from amongst themselves at the meeting shall preside over the meeting.

(7) In case of difference in opinion on any question before the Authority, or any of its Committees, the views of the majority shall be taken as the final decision.

(8) More than fifty percent appointed Members of the Authority shall constitute the quorum for the transaction of business at a meeting of the Authority.

(9) Two members of a Committee shall constitute the quorum for the transaction of business at a meeting of the Committee.

(10) For journeys performed by a non-official member of the Authority or Committee or a special invitee in connection with the work of the Authority or Committee, the actual expenditure for attending the meeting shall be reimbursed, subject to maximum of such expenditure limit applicable to a Senior Administrative Grade officer of Government of India.

12. **Member not to participate in meetings in certain cases.-** A member, who has any pecuniary interest, direct or indirect in any matter that is brought 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.

13. **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;

(b) any defect in the appointment of a person acting as a member of the Authority and its Committees;

(c) any laches in the procedure of the Authority and its Committees not affecting the merits of the case.

14. **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 these rules.

Schedule I

S. No.	Designation	Pay Scale	Number of posts
1.	General Manager	PB-4 + GP Rs. 8700	01
2.	Assistant General Manager	PB-3 + GP Rs. 5400	01
3.	Senior Accounts Officer	PB-3 + GP Rs. 5400	01
4.	Assistant Accounts Officer	PB-2 + GP Rs. 4800	02

Schedule II**Functional Divisions of the Authority****(1) Administration:**

- (i) Establishing, equipping, maintaining and operating administrative functions as may be necessary or deemed expedient for fulfilling the objects of the Fund.
- (ii) Authority and committees of Authority related matters.

(2) Investment/ Funds Management:

- (i) Maintaining funds standing to the credit of Fund, investing the same in interest bearing account of any nationalised bank.
- (ii) Opening of depository account of authority and transferring into the account securities of investor and transferring to investors account securities upon settlement of the claim.

(3) Claims and Settlement:

- (i) Making refunds to eligible investors after following due procedure in respect of claims lodged by investors in accordance with clause (a) of sub-section (3) of section 125 of the Act and rules made thereunder.
- (ii) Distribution of disgorged amount as per the order of the court or the Authority.
- (iii) 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:

- (i) Initiation of legal cases against non-compliant companies or persons.
- (ii) Handling disputes and legal cases arising out of claims or settlement or any other dispute.
- (iii) Reimbursement of funds from Fund 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 the procedure prescribed in this regard.

(5) Investor Education and Protection:

- (i) Registering associations or institutions or professional bodies or chambers of commerce and industry or other organisations engaged in investor education and protection activities.
- (ii) 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.
- (iii) Monitoring of the utilisation of the grants to ensure the achievements of the objectives of the sanctioning of the grants.
- (iv) Cooperating and collaborating with institutions engaged in Investor Education, corporate governance, awareness, and protection activities.

- (v) 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.
- (vi) 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.
- (vii) Publishing and disseminating information for investors' benefit and objects and achievements of the Fund.
- (viii) Advising Central Government on the issues related to Investors' interest.
- (ix) Sponsor specific studies or research or analysis for the development of capital market.

(6) Finance, Accounts and Audit:

- (i) Maintenance of accounts of inflow and outflow of funds.
- (ii) Reconciliation of accounts of investors.
- (iii) Preparation of all accounting reports, audit work and annual report.
- (iv) Returns to Central Government.
- (v) Preparation of budget of authority and its monitoring.
- (vi) Accounting for all claims of investor in respective accounts.
- (vii) Procedure for accounting of investors' funds and securities.

(7) The Chairperson may re-allocate functions, merge or sub-divide divisions as per administrative requirement.

[F. No. 05/27/2013-IEPF]
MANOJ KUMAR, Jt. Secy.