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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

IndiaCode

## MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS

### (Legislative Department)

*New Delhi, the 16th December, 1999/Agrahayana 25, 1921 (Saka)*

The following Act of Parliament received the assent of the President on the 16th December, 1999, and is hereby published for general information:—

# THE SECURITIES LAWS (AMENDMENT) ACT, 1999

No. 31 OF 1999

[16*th December*, 1999.]

*An Act further to amend the Securities Contracts (Regulation) Act,* 1956 *and the Securities and Exchange Board of India Act,* 1992.

BE it enacted by Parliament in the Fiftieth Year of the Republic of India as follows:—

**1.** *(1)* This Act may be called the Securities Laws (Amendment) Act, 1999. Short title and commencement.

*(2)* It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment of section 2.

**2.** In section 2 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the principal Act),— 42 of 1956.

(*a*) after clause (*a*), the following clause shall be inserted, namely:—

'(*aa*) "derivative" includes—

(*A*) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;

(*B*) a contract which derives its value from the prices, or index of prices, of underlying securities;';

(*b*) in clause (*h*), after sub-clause (*i*), the following sub-clauses shall be inserted, namely:—

"(*ia*) derivative;

(*ib*) units or any other instrument issued by any collective investment scheme to the investors in such schemes;".

Insertion of new section 18A.

**3.** After section 18 of the principal Act, the following section shall be inserted, namely:—

Contracts in derivative.

"18A. Notwithstanding anything contained in any other law for the time being in force, contracts in derivative shall be legal and valid if such contracts are—

(*a*) traded on a recognised stock exchange;

(*b*) settled on the clearing house of the recognised stock exchange,

in accordance with the rules and bye-laws of such stock exchange.".

Amendment of section 21.

**4.** In the heading occurring above section 21 of the principal Act, the words "BY PUBLIC COMPANIES" shall be omitted.

Amendment of section 22

**5.** In section 22 of the principal Act,—

(*a*) after the words "public company", the words "or collective investment scheme" shall be inserted;

(*b*) after the word "company", the words "or scheme" shall be inserted.

Amendment of section 23.

**6.** In section 23 of the principal Act, in sub-section (*1*), after clause (*c*), the following clause shall be inserted, namely:—

"(*d*) enters into any contract in derivative in contravention of section 18A or the rules made under section 30.".

Amendment of section 24

**7.** In section 24 of the principal Act, after sub-section (*2*), in the *Explanation*, for sub-clause (*b*), the following sub-clause shall be substituted, namely:—

'(*b*) "director", in relation to—

(*i*) a firm, means a partner in the firm;

(*ii*) any association of persons or a body of individuals, means any member controlling the affairs thereof.'.

Insertion of new section 27A.

**8.** After section 27 of the principal Act, the following section shall be inserted, namely:—

Right to receive income from collective investment scheme.

"27A. (*1*) It shall be lawful for the holder of any securities, being units or other instruments issued by the collective investment scheme, whose name appears on the books of the collective investment scheme issuing the said security to receive and retain any income in respect of units or other instruments issued by the collective investment scheme declared by the collective investment scheme in respect thereof for any year, notwithstanding that the said security, being units or other instruments issued by the collective investment scheme, has already been transferred by him for consideration, unless the transferee who claims the income in respect of units or other instruments issued by the collective investment scheme from the transfer or has lodged the security and all other documents relating to the transfer which may be required by the collective investment scheme with the collective investment scheme for being registered in his name within fifteen days of the date on which the income in respect of units or other instruments issued by the collective investment scheme became due.

*Explanation.*—The period specified in this section shall be extended—

(*i*) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the income in respect of units or other instrument issued by the collective investment scheme;

(*ii*) in case of loss of the transfer deed by theft or any other cause beyond the control of the transferee, by the actual period taken for the replacement thereof; and

(*iii*) in case of delay in the lodging of any security, being units or other instruments issued by the collective investment scheme, and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay.

(*2*) Nothing contained in sub-section (*1*) shall affect—

(*a*) the right of a collective investment scheme to pay any income from units or other instruments issued by the collective investment scheme which has become due to any person whose name is for the time being registered in the books of the collective investment scheme as the holder of the security being units or other instruments issued by the collective investment scheme in respect of which the income in respect of units or other instruments issued by the collective scheme has become due; or

(*b*) the right of transferee of any security, being units or other instruments issued by the collective investment scheme, to enforce against the transferor or any other person his rights, if any, in relation to the transfer in any case where the company has refused to register the transfer of the security being units or other instruments issued by the collective investment scheme in the name of the transferee.".

Substitution of new section for section 29A.

**9.** For section 29A of the principal Act, the following section shall be substituted, namely:—

Power to delegate.

"29A. The Central Government may, by order published in the Official Gazette, direct that the powers (except the power under section 30) exercisable by it under any provision of this Act shall, in relation to such matters and subject to such conditions, if any, as may be specified in the order, be exercisable also by the Securities and Exchange Board of India or the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934.".

2 of 1934.

Amendment of section 30.

**10.** In section 30 of the principal Act, in sub-section (*2*), for clause (*h*), the following clause shall be substituted, namely:—

"(*h*) the requirements which shall be complied with—

(*A*) by public companies for the purpose of getting their securities listed on any stock exchange;

(*B*) by collective investment scheme for the purpose of getting their units listed on any stock exchange;".

Amendment of Act 15 of 1992.

**11.** In the Securities and Exchange Board of India Act, 1992,—

(*i*) in section 2, in sub-section (*1*), after clause (*b*), the following clause shall be inserted, namely:—

'(*ba*) "collective investment scheme" means any scheme or arrangement which satisfies the conditions specified in section 11AA;';

(*ii*) after section 11A, the following section shall be inserted, namely:—

Collective investment scheme.

"11AA. (*1*) Any scheme or arrangement which satisfies the conditions referred to in sub-section (*2*) shall be a collective investment scheme.

(*2*) Any scheme or arrangement made or offered by any company under which,—

(*i*) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement;

(*ii*) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement;

(*iii*) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;

(*iv*) the investors do not have day-to-day control over the management and operation of the scheme or arrangement.

(*3*) Notwithstanding anything contained in sub-section (*2*), any scheme or arrangement—

(*i*) made or offered by a co-operative society registered under the Co-operative Societies Act, 1912 or a society being a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State; 2 of 1912.

(*ii*) under which deposits are accepted by non-banking financial companies as defined in clause (*f*) of section 45-I of the Reserve Bank of India Act, 1934; 2 of 1934.

(*iii*) being a contract of insurance to which the Insurance Act, 1938, applies; 4 of 1938.

(*iv*) providing for any scheme, pension scheme or the insurance scheme framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; 19 of 1952.

(*v*) under which deposits are accepted under section 58A of the Companies Act, 1956; 1 of 1956.

(*vi*) under which deposits are accepted by a company declared as a *Nidhi* or a Mutual Benefit Society under section 620A of the Companies Act, 1956; 1 of 1956.

(*vii*) falling within the meaning of chit business as defined in clause (*e*) of section 2 of the Chit Funds Act, 1982; 40 of 1982.

(*viii*) under which contributions made are in the nature of subscription to a mutual fund;

shall not be a collective investment scheme.".

RAGHBIR SINGH,
*Secy. to the Govt. of India.*

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