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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

MUMBAI, the 19th May, 2009

Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009

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No. LAD-NRO/GN/2009-10/05/163525.-In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely: -

CHAPTER I
PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.

(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) In these regulations, unless the context otherwise requires: -
(a) 'Act' means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
(b) 'Board' means the Securities and Exchange Board of India established under section 3 ofthe Act;
(c) 'Committee' means the advisory committee constituted under regulation 7 of theseregulations;
(d) 'financial year' means the year commencing on the first day of April;
(e) 'Fund' means the Investor Protection and Education Fund created by the Board under

section 11 of the Act;
(f) 'investor' means an investor in securities;
(g) 'legal proceedings' means any proceedings before a court or tribunal where one thousandor more investors are affected or likely to be affected by:-

(i) mis-statement, misrepresentation or omission in connection with the issue, sale orpurchase of securities;

(ii) non-receipt of securities allotted or refund of application monies paid by them;

(iii) non-payment of dividend;

(iv) default in redemption of securities or in payment of interest in terms of the offer

document;

(v) fraudulent and unfair trade practices or market manipulation;

(vi) such other market misconduct which in the opinion of the Board may be deemed

appropriate;but does not include any proceeding where the Board is a party or where the Board hasinitiated any enforcement action;

(h) 'Schedule' means Schedule appended to these regulations.

(2) Words and expressions not defined in these regulations, but defined in or under the Act orthe Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Depositories Act, 1996 (22 of 1996) or the regulations made thereunder or the Companies Act, 1956 (1 of 1956) orany statutory modification or re-enactment thereof, shall have the same meanings as havebeen assigned to them by or under those enactments, unless the context requires otherwise.

CHAPTER II
INVESTOR PROTECTION AND EDUCATION FUND

Establishment of Fund.

3. (1) There shall be a Fund to be called the Investor Protection and Education Fund.

(2) The Fund shall be deemed to have been established on 23rd day of July, 2007, by the ordermade by the Board under section 11 of the Act.

Amounts to be credited to the Fund.

4. [1][(1)] The following amounts shall be credited to the Fund:-
(a) contribution as may be made by the Board to the Fund;

[1] Existing regulation re-numbered as sub-regulation (1) by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, w.e.f. 6-3-2017.

(b) grants and donations given to the Fund by the Central Government, State Government orany other entity approved by the Board for this purpose;
[2][(c) proceeds in accordance with the sub-clause (ii) of clause(e) of sub-regulation (10) of regulation 17 and sub-regulation (3) of regulation 21 of the Securities and Exchange Board ofIndia (Substantial Acquisition of Shares and Takeovers) Regulations, 2011];
(d) security deposits, if any, held by stock exchanges in respect of public issues and rights issues, in the event of de-recognition of such stock exchanges;
(e) amounts in the Investor Protection Fund and Investor Services Fund of a stock exchange,in the event of de-recognition of such stock exchange;
[3][(f) amounts forfeited for non-fulfilment of obligations specified in regulation 15B of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998;
(g) monies transferred in accordance with sub-regulation (9) of regulation 45 of the Securities andExchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
(h) amounts disgorged under section 11B of the Act or section 12A of the Securities Contracts(Regulation) Act, 1956 or section 19 of the Depositories Act, 1996;]
[4][(f)] interest or other income received out of any investments made from the Fund;
[5][(g)] such other amount as the Board may specify in the interest of investors.

[6][(2) For the purposes of sub-regulation (1) above, the amounts shall be credited to the Fund through NEFT/RTGS/IMPS or any other mode allowed by RBI or by way of a demand draft in favour of the Board payable in Mumbai.]

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Utilisation of Fund.

5. (1) The Fund shall be utilised for the purpose of protection of investors and promotion ofinvestor education and awareness in accordance with these regulations.
(2) Without prejudice to the generality of the object in sub-regulation (1), the Fund may be
used for the following purposes, namely:-

(a) educational activities including seminars, training, research and publications, aimed atinvestors;

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[2]Substituted by the SEBI(Investor Protection and Education Fund) (Amendment) Regulations, 2014 w.e f. 09-01-2014. Prior to substitution, it read as under:
"(c) proceeds in accordance with the sub-clause (ii) of clause(e) of sub-regulation (12) and the sub- regulation (13)of regulation 28 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997".
[3] Inserted ibid.
[4]Renumbered by the SEBI (Investor Protection and Education Fund) (Amendment) Regulations, 2014 w.e f. 09-01-2014.
[5] Ibid.
[6]Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6-3-2017.

(b) awareness programmes including through media - print, electronic, aimed at investors;
(c) funding investor education and awareness activities of Investors' Associations recognizedby the Board;
(d) aiding investors' associations recognized by the Board to undertake legal proceedings inthe interest of investors in securities that are listed or proposed to be listed;
(e) refund of the security deposits which are held by stock exchanges and transferred to theFund consequent on de-recognition of the stock exchange as mentioned in clause (d) ofregulation 4, in case the concerned companies apply to the Board and fulfill the conditions forrelease of the deposit;
(f) expenses on travel of members of the Committee, who are not officials of the Board, andspecial invitees to the meetings of the Committee, in connection with the work of theCommittee;
(g) salary, allowances and other expenses of office of Ombudsman; and
(h) such other purposes as may be specified by the Board.

[7][(3) Notwithstanding the provisions of sub-regulations (1) and (2), amounts disgorged andcredited to the Fund in accordance with clause (h) of regulation 4 of these regulations and theinterest accrued thereon shall, in cases where the Board deems fit to make restitution to eligibleand identifiable investors who have suffered losses resulting from violation of securities laws, beutilised only for the purposes of such restitution:

Provided that monies left in the Fund after earmarking the amount for the process of restitution toeligible and identifiable investors may be utilised for the purposes of the Fund specified in sub-regulations(1) and (2):

Provided further that no claim for restitution from the disgorged amounts in a specific case shallbe admissible after a period of seven years from the date of invitation of claims for disgorgementin the said case by the Board.]

6. Conditions for Aid.

The aid to investors' associations, as referred to in clause (d) of sub-regulation (2) of regulation 5, shall be given by the Board in accordance with the guidelines made by it and
subject to the following conditions:-
(a) that the aid shall not exceed seventy five per cent. of the total expenditure on legal proceedings;

[7]Inserted by SEBI(Investor Protection and Education Fund) (Amendment) Regulations, 2014 w.e f. 09-01- 2014.

(b) such aid shall not be considered for more than one legal proceeding in a particular matter;
(c) if more than one investors' association applies for seeking legal aid, the investors' association whose application is received first, shall be considered for such aid.

CHAPTER III
ADVISORY COMMITTEE FOR THE FUND

Constitution of the Committee.

7. (1) The Board shall constitute an advisory committee for recommending investor educationand protection activities that may be undertaken directly by the Board or through any otheragency, for utilisation of the Fund for the purposes referred to in regulation 5.

(2) The Committee shall consist of the following members, namely:-
(a) the Executive Director of the Board in charge of Office of Investor Assistance and Education who shall be the convener of the Committee;
(b) two other officials of the Board;
(c) five other members who have expertise about the securities market and experience in matters of investor grievance redressal or investor education.

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(3) (a) The term of office of members referred in clause (c) of sub-regulation (2) of regulation 7 shall be two years, which may be extended for a further period of two years.
(b) Any vacancy arising out of resignation, retirement or death of a member or for any other reason shall be filled by the Board for the remaining period of the term of such member.

(4) The Board may dissolve and reconstitute the Committee if, at any time, the Board is of the opinion that the Committee is unable to discharge the functions and duties imposed on it by or under these regulations.

Functions of the Committee.

8. The Committee shall consider investor education and protection activities keeping in view the purposes mentioned in regulation 5 and the regulation 6 and submit its recommendations thereon to the Board.

Meetings of the Committee.

9. (1) Meetings of the Committee shall be convened at least once in three months by the convener or in his absence, by any member nominated by the convener, on his behalf.

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

(3) Every member, who is directly or indirectly interested in any matter coming up for consideration at a meeting of the Committee, shall disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the meeting of the Committee and such member shall not take part in any deliberation of the Committee with respect to that matter.

Expenses of the Committee.

10. (1) The expenses including travel and other allowances of members of the Committee, who are officials of the Board, and invitees who are officials of the Board, shall be borne by the Board in accordance with their entitlements.
(2) The expenses including travel and other allowances of members of the Committee, who are not officials of the Board, and invitees who are not officials of the Board, may be borne by the Fund.

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CHAPTER IV
INVESTMENT, ACCOUNTS AND AUDIT

Investment, maintenance of accounts and audit of accounts.
11. (1) The Board shall ensure maintenance of proper and separate accounts and other relevant records in relation to the Fund giving therein the details of all receipts to, and, expenditure from, the Fund and other relevant particulars in accordance with the SEBI (Form of Annual Statement of Accounts and Records) Rules, 1994 as far as such rules apply.

(2) The accounts referred to in sub regulation (1) shall be prepared and audited before the expiry of six months from the end of each financial year.

(3) The investment of the Fund may be in the manner of investments of other funds of the Board.

(4) The accounts of the Fund may be audited in the manner of audit of other accounts of the Board.

CHAPTER V
MISCELLANEOUS

Power to relax regulations.

12. If in the opinion of the Board, strict enforcement of any regulation needs to be relaxed to achieve the purpose of investor protection and education, the Board may relax the same.

Delegation of powers.

13. The powers exercisable by the Board under these regulations shall also be exercisable by any member or officer of the Board to whom such powers are delegated by the Board by means of an order made under section 19 of the Act.

Amendments to other Regulation.

14. The regulation mentioned in the Schedule shall be amended in the manner and to the extent specified therein.

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SCHEDULE

Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009
[See regulation 14]

Amendments to other regulation Amendment of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1. In regulation 28,

(a) in sub-regulation (12) , for clause (e) , the following shall be substituted, namely:- "(e) the entire amount to the merchant banker, in the event of forfeiture for nonfulfillment of any of the obligations under the Regulations, for distribution in the following manner, after deduction of expenses, if any, of the merchant banker and the registrars to the offer, -
(i) one third of the amount to the target company;
(ii) one third of the amount to the Investor Protection and Education Fund established by the Board;
(iii) one third of the amount to be distributed pro-rata among the shareholders who have accepted the offer."

(b) in sub-regulation (13) , for the words "to the regional stock exchange of the target company, for the credit of the Investor Protection Fund or any other similar fund" appearing after the words " proceeds thereof" the words "to the Investor Protection and Education Fund established by the Board" shall be substituted.

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