

Procedural framework for dealing with unclaimed amounts lying with entities having listed Non-Convertible Securities

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BACKGROUND

On November 8th, 2023, SEBI issued its Circular on Procedural framework for dealing with unclaimed amounts associated with entities having listed non-convertible securities

BRIEF

- 1** Regulation 61A (2) of LODR Regulations requires listed entities to transfer unclaimed interest, dividend, or redemption funds to an Escrow Account within **seven days** of expiry of **thirty days** of the due date of interest, dividend, or redemption payment.
- 2** Unclaimed amounts remaining in the Escrow Account for seven years will be transferred to the **Investor Education and Protection Fund (IEPF)** for listed entities which are companies and the **Investor Protection and Education Fund (IPEF)** for listed entities which are not companies.
- 3** Stock Exchanges, Issuers, and Depositories are directed to comply with the circular, **disseminate it, and create awareness among investors.**
- 4** Stock Exchanges need to inform listed entities and issuers of listed Non-Convertible Securities about this circular and make any necessary changes to their **bye-laws accordingly.**
- 5** Listed entities having unclaimed amounts in the Escrow Account for less than **7 years, as on February 29, 2024, shall start computing interest, as per provisions of Annex - A, from March 1, 2024.**
- 6** For listed entities which are not companies and have unclaimed amounts in the Escrow Account for more than **7 years, as on February 29, 2024, shall transfer the unclaimed amounts of the investors to IPEF, in compliance with the provisions of Annex - B, on or before March 31, 2024.**
- 7** This circular is issued to protect investor interests and regulate the securities market. Provisions of **this Circular shall come into effect from March 1, 2024.**

SOURCE : SEBI CIRCULAR - SEBI/HO/DDHS/DDHS-RAC-1/P/CIR/2023/176

Framework for Transfer of unclaimed amounts by the listed entities to Escrow Accounts and claim thereof by investors (Annexure A)

To standardize the process for transferring and claiming unclaimed amounts by entities having listed non-convertible securities to Escrow Accounts, following framework has been specified:-

Important Points

Sr .No	Particulars	Timelines
1.	Listed Entity declaring/paying dividend, interest, and redemption amount to investors	T day
2.	Investor to claim dividend, interest, and redemption amount within 30 days of declaration.	T + 30 days
3.	Transfer of unclaimed amount of dividend, interest and redemption amount to Escrow A/c within seven days of expiry of the said Thirty days. Note: Pay 12% annual interest in case of default in the transfer of unclaimed amount to Escrow A/c	T + 37 days
4.	Display of information w.r.t unclaimed amounts by listed entity on its website within 30 days of transferring the unclaimed amount to Escrow Account	T + 67 days

- ✓ Appointment of Nodal Officer to act as point of contact for investors and regulatory bodies.
- ✓ Search facility for investors to verify unclaimed amount and other information on the website of Listed entity.
- ✓ The listed entity shall formulate a policy specifying the process to be followed by investors for claiming their unclaimed amounts.
- ✓ Listed entity shall specify the procedure to be followed by investors/legal heirs for claiming any unclaimed amount.

Framework for transfer of unclaimed amounts from the Escrow Account of the Listed entity to IPEF and claim thereof by investors (Annexure B)

Sr .No	Particulars	Timelines
1.	Transfer of unclaimed amount of dividend, interest and redemption amount Listed Entity to Escrow A/c.	T day
2.	Amount transferred to Escrow account remain unclaimed/unpaid for seven years then transfer such amount to IPEF within 30 days of expiry of the date of 7 years. Note: In case of default in the transfer of unclaimed amount to IPEF, penalty of Rs. 1 lakh (Five hundred rupees for each day subject to a maximum of ten lakh rupees in case of continuing default) shall be levied.	T + 7 years 30 days
3.	Display of information w.r.t transferring the unclaimed amounts to the IPEF by listed entity on its website within 30 days of such transfer.	T + 7 years 60 days

Important Points

- ✓ The listed entity shall provide information about the unclaimed amount transferred to the IPEF, as per prescribed format, in hard copy, addressed to 'Chief General Manager, Office of Investor Assistance and Education, SEBI', as well as in soft copy, via email to ipef@sebi.gov.in.
- ✓ A listed entity shall, after processing an application from an investor for unclaimed amount, make an application to IPEF for refund of such amount

IMPACT

SEBI's recent circular on unclaimed amounts in non-convertible securities marks a crucial step for transparency, efficiency, and investor protection in India's securities market. This framework brings clarity and standardized procedures, benefiting both investors and listed entities.

SOURCE : SEBI CIRCULAR - SEBI/HO/DDHS/DDHS-RAC-1/P/CIR/2023/176