

# Provisions for Protection of interests of investors in the Companies Act, 2013

March 23, 2021

**Key provisions:** With regard to protection of interests of investors in the Companies Act, 2013 are briefly given below:

- **Legal action:** Shareholders Associations/Group of Shareholders empowered to take legal action in case of actions relating to mis-statements in prospectus/fraudulently inducing persons to invest money in the company.
- **Protection of claim of an investor** over unclaimed dividend etc. beyond the existing limit of 7 years. Such amounts can be claimed through the Investor Education and Protection Fund (IEPF) even after 7 years.
- **Usage of IEPF account:** IEPF account to be utilized for refund of unclaimed dividends; application monies due for refund; and promotion of investors' education, awareness etc. IEPF accounts also to be utilized for re-distribution of disgorged amount to identifiable victims.
- **Electing a director:** In case of listed companies, small shareholders (i.e. shareholders holding shares of nominal value of Rs. 20,000 or less) are empowered to elect a director in accordance with prescribed rules.
- Provisions for prevention of oppression and mismanagement along with action against persons engaged in fraudulent activities retained in the Act.
- 'Class Action' provided for preventive action through orders from Tribunal. Requisite number of members and depositors may approach Tribunal for this purpose.
- Requirement for offer for sale of shares (exit option) to be given to minority shareholders in case of

acquisition of 90% or more shares by any other company or group of persons or persons acting in concert.

- The scope of postal ballot (including electronic voting) widened. Certain important matters as stated below are required to be conducted through postal/ electronic voting:

1. Alteration of Memorandum of Association /Articles of Association in certain cases
2. Change of registered office address
3. Change in objects for which company raised money from public as provided in section 13 (8)
4. Issue of shares with differential rights
5. Giving of loans and investment exceeding 60% of company's paid-up share capital, free reserves and securities premium account or 100% of company's free reserves and securities premium account, whichever is more.

### **Investor Education and Protection Fund (IEPF)**

The Administration of Investor Education and Protection Fund Government of India on 7th September 2016 established Investor Education and Protection Fund Authority under the provisions of section 125 of the Companies Act, 2013.

### **Responsibility of the Authority:**

The Authority is entrusted with the responsibility of administration of the Investor Education Protection Fund (IEPF), make refunds of shares, unclaimed dividends, matured deposits/debentures, etc. to investors and to promote awareness among investors.