



DIVIDEND POLICY AND IEPF COMPLIANCES FOR LISTED COMPANIES

In this presentation, we will discuss the dividend policy and IEPF compliances for listed companies.



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Dividend Policy

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Investor Education & Protection Fund

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What is dividend ?

- The term 'dividend' has been defined under Section 2(35) of the Companies Act, 2013.
- According to the Secretarial Standard 1 (SS-1) issued by ICSI, “Dividend” means a distribution of any sums to Members out of profits and wherever permitted out of free reserves available for the purpose.
- “Final Dividend” means the Dividend recommended by the Board of Directors and declared by the Members at an Annual General Meeting (AGM).
- Dividend is declared once in a year by the members at the AGM of the company.



Declaration of Dividend

- The dividend shall be declared by the company in accordance with the provisions specified under Section 123 of Companies Act, 2013 followed by Secretarial Standard – 3 (SS-3) issued by ICSI.
- The important provisions with respect to declaration of dividend are as under :
 - Dividend shall be declared only on the recommendation of the Board.
 - Dividend shall be declared only at an Annual General Meeting of the company.
 - The amount of the dividend shall be deposited in a scheduled bank in a separate account within 5 days from the date of declaration of dividend.
 - The amount of dividend declared, shall be deposited in a scheduled bank in a separate account within five (5) days from the date of declaration of such dividend.



Payment of Dividend (Section 124 & SS-3)

Pay dividend declared within 30 days of declaration.



Failure to pay within 30 days – transfer within 7 days, the total amount of dividend which remains unpaid or unclaimed to Unpaid Dividend Account.



Money transferred to Unpaid Dividend Account, if remains unpaid or unclaimed for 7 years from the date of such transfer.



Transfer the said money along with interest accrued, if any to Investor Education and Protection Fund.

Payment of Dividend (Section 124 & SS-3)

The Company shall within 90 days of making of transfer to unpaid dividend Account :

- Prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person.
- Place it on the web-site of the company, if any, and also on any other web-site of the company, if any, and also on any other web-site approved by the Central Government for this purpose.

Any person claiming to be entitled to any money transferred to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed.

All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed.

Investor Education and Protection Fund (Section 125)

Section 125 of Companies Act & Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

- The Central Government has established a fund to be called as Investor Education and Protection Fund (Fund).
- The Central Government shall constitute an authority (IEPF Authority) for administration of the Fund consisting of a –
 - ✓ Chairperson and;
 - ✓ such other members, not exceeding seven and;
 - ✓ a chief executive officer, as the Central Government may appoint.
- The authority shall administer the Fund and maintain separate accounts and other relevant records in relation to the Fund, after consultation with the Comptroller and Auditor-General of India.
- The accounts of the Fund shall be audited by the Comptroller and Auditor- General of India (CAG) and such audited accounts together with the audit report thereon shall be forwarded annually by the authority to the Central Government.
- The authority shall prepare its annual report giving a full accounts of its activities during the financial year and forward a copy thereof to the Central Government.
- Thereafter, Central Government shall place such annual report and audit report before each house of parliament.

Amounts to be credited to the Fund

There shall be credited to the Fund

- The amount given by the central government by way of grants after due appropriation made by parliament by law in this behalf for being utilized for the purposes of the fund;
- Donations given to the fund by the central government, state governments, companies or any other institution for the purposes of the fund;
- The amount in the unpaid dividend account of companies transferred to the fund under sub-section (5) of section 124;
- The amount in the general revenue account of the central government which had been transferred to that account and remaining unpaid or unclaimed on the commencement of this act;
- The amount lying in the investor education and protection fund under section 205C of the companies act, 1956;
- The interest or other income received out of investments made from the fund;
- The amount received through disgorgement or disposal of securities under sub-section (4) of section 38;
- The application money received by companies for allotment of any securities and due for refund;
- Matured deposits with companies other than banking companies;

Amounts to be credited to the Fund

- Matured debentures with companies;
- Interest accrued on the amounts referred to in clauses (h) to (j);
- Sale proceeds of fractional shares arising out of issuance of bonus shares, merger and amalgamation for seven or more years;
- Redemption amount of preference shares remaining unpaid or unclaimed for seven or more years; and
- Such other amount as may be prescribed:

Provided that no such amount referred to in clauses (h) to (j) shall form part of the fund unless such amount has remained unclaimed and unpaid for a period of seven years from the date it became due for payment.

Utilization of Fund

The Fund shall be utilized for

- The refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest thereon;
- Promotion of investors' education, awareness and protection;
- Distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the court which had ordered disgorgement;
- Reimbursement of legal expenses incurred in pursuing class action suits under sections 37 and 245 by members, debenture-holders or depositors as may be sanctioned by the tribunal; and
- Any other purpose incidental thereto,

Statement to be furnished to the Fund (Rule 5)

IEPF – 1

Statement of amounts credited to Investor Education and Protection Fund

Any amount required to be credited by the companies to the fund as specified under clauses (a) to (n) of Section 125(2) shall be remitted online along with a Statement in Form No. IEPF 1 containing details of such transfer to the Authority, within a period of 30 days of such amounts becoming due to be credited to the Fund.

IEPF – 1A

Statement of Amounts credited to Investor Education and Protection Fund

If any amount referred in clauses (a) to (d) of sub-section (2) of section 205C of the Companies Act, 1956, is transferred to IEPF or CG, but have not filed the statement in any format other than in excel template, shall submit details in Form No. IEPF – 1A along with excel template within 60 days of notification of publication of these rules (19.10.2019).

Statement to be furnished to the Fund (Rule 5)

POINTS TO BE NOTED

- On receipt of the statement, the Authority shall –
 - ✓ Enter the details of such receipt in a Register maintained by it (physically or electronically) in respect of each company every year, and
 - ✓ Reconcile the amount so remitted and collected, with the concerned designated bank on monthly basis.
- Each designated bank shall furnish an abstract of such receipts to the Authority within seven days after the close of every month.
- The company shall maintain the record filed under Form No. IEPF-1 in the same format along with all supporting documents and the Authority shall have the powers to inspect such records.

Statement to be furnished to the Fund Rule 5(8)

IEPF – 2 (Statement of Statement of unclaimed and unpaid amounts and details of Nodal Officer)

Every company shall

- Within a period of 60 days after the AGM or;
- The date on which it should have been held as per the provisions of section 96 of the act,

Whichever is earlier and

Every year thereafter till completion of seven years period,

- Identify the unclaimed amounts, as on the date of closure of financial year,
- Separately furnish and upload on its own website and also on website of authority or any other website as may be specified by the government

A statement or information of unclaimed and unpaid amounts separately for each of the previous seven financial years through form no. IEPF-2. Containing following information, namely :

- (a) the names and last known addresses of the persons entitled to receive the sum;
- (B) the nature of amount;
- (C) the amount to which each person is entitled;
- (D) the due date for transfer into the investor education and protection fund; and

Manner of transfer of shares to the Fund (Rule 6)

The shares shall be credited to the DEMAT Account of the Authority within a period of thirty days of shares becoming due to be transferred to the Fund.

The transfer of shares by the companies to the Fund shall be deemed to be transmission of shares and the procedure to be followed for transmission of shares shall be followed by the companies while transferring the shares to the fund.

The company shall follow the following procedure while transferring the shares, namely:

- Inform, at the latest available address, the concerned shareholder regarding transfer of shares three months prior to the due date of transfer of shares.
- Simultaneously publish a notice in the leading newspaper in English and regional language having wide circulation informing the concerned that the names of such shareholders and their folio number or DP ID – Client ID are available on their website duly mentioning the website address. [Sub-Rule 3(a)].

Nomination of Nodal officer [Rule 7(2A)]

- Every company which is required to credit amounts/ shares to the fund or has deposited the amount/ transferred the shares to the Fund shall nominate a Nodal Officer, who shall either be a Director/ CFO/ CS of the company, for the purposes of verification of claims and coordination with IEPF.
- Details of Nodal Officer shall be communicated to the IEPF Authority in Form No. IEPF – 2 within fifteen days from the date of publication of these rules and the company shall display the name of Nodal Officer and his e-mail ID on its website.

Provided that any change in the Nodal Officer or his details shall be communicated to the Authority through Form No. IEPF-2 within seven days of such change along with board resolution thereof

Statement to be furnished to the Fund (Rule 5)

IEPF – 3

Statement of shares and unclaimed or unpaid dividend not transferred to IEPF

- In case, where there is a specific order of Court or Tribunal or statutory Authority restraining any transfer of such shares and payment of dividend or where such shares are pledged or hypothecated under the provisions of the Depositories Act, 1996 or shares already been transferred, the company shall not transfer such shares to the Fund.
- Provided that the company shall furnish details of such shares and unpaid dividend to the Authority in Form No. IEPF – 3 within thirty days from the end of financial year.
- The company shall make such transfers through corporate action (as per the procedure provided under sub-clause (c) and (d) of the said rule) and preserve copies of its records.

IEPF – 4

Statement of shares transferred to IEPF

While effecting such transfer, the company shall send a statement to the Authority in Form No. IEPF – 4 within thirty days of the corporate action taken containing details of such transfer and the company shall also attach a copy of the public notice published under clause (a) of sub-rule (3) of rule 6 in Form No. IEPF – 4.

Manner of transfer of shares to the Fund (Rule 6)

POINTS TO BE NOTED

- The voting rights on shares transferred to the Fund shall remain frozen until the rightful owner claims the shares.
- All benefits accruing on such shares like bonus shares, split, consolidation, fraction shares and the like except right issue shall also be credited to such DEMAT account by the company which shall send a statement to the Authority in Form No. IEPF-4 within thirty days of the corporate action containing details of such transfer.
- Any further dividend received on such shares shall be credited to the Fund and a separate ledger account shall be maintained for such proceeds.

Refund to claimants from Fund (Rule 7)

IEPF – 7

Statement of amounts credited to IEPF on account of shares transferred to the fund

- **If the company is getting delisted:** Authority shall surrender shares on behalf of the shareholders in accordance with SEBI (Delisting of Equity Shares) Regulations, 2009 and the proceeds realized shall be credited to the Fund and a separate ledger account shall be maintained for such proceeds.
- **If the company whose shares or securities are held by the Authority is being wound up:** Authority may surrender the securities to receive the amount entitled on behalf of the security holder and credit the amount to the Fund and a separate ledger account shall be maintained for such proceeds.
- **If any further dividend is declared on shares transferred to IEPF:** Any further dividend received on such shares shall be credited to the Fund and a separate ledger account shall be maintained for such proceeds.

Any amount required to be credited by the companies to the Fund as provided under the above points shall be remitted into the specified account of the IEPF Authority maintained in the Punjab National Bank and the details thereof shall be furnished to the Authority in Form No. IEPF – 7 within thirty days from the date of remittance or within thirty days from the date of enforcement of these Rules.

Refund to claimants from Fund (Rule 7)

Web form IEPF – 5

Application to the Authority for claiming unpaid amounts and shares out of Investor Education and Protection Fund (IEPF)

Obligations of Claimant(s) (shareholder(s))

- Any person whose shares, unclaimed dividend, matured deposits, matured debentures, application money due for refund, or interest thereon, sale proceeds of fractional shares, redemption proceeds of preference shares etc., has been transferred to the Fund, may claim the shares, to the Authority by submitting an online application in Form IEPF – 5 available on the website www.iepf.gov.in along with fee specified by the Authority from time to time in consultation with the Central Government.
- Upon submission, Form No. IEPF – 5 shall be transmitted online to the Nodal Officer of the company for verification of claim.
- The claimant after making an application in Form No. IEPF–5, shall send original physical share certificate, original bond, deposit certificate, debenture certificate, as the case maybe, along with Indemnity Bond, Advance Receipts, any other document as enumerated in Form No. IEPF–5, duly signed by him, to the Nodal Officer of the concerned

Refund to claimants from Fund (Rule 7)

Obligations of Company

The Company shall within 30 days of the receipt of claim

- Send an online verification report to the Authority after verification of details in Form No. IEPF – 5 in the format specified by the Authority along with all the documents submitted by the claimant.
- Attach the scanned copy of all the original documents submitted by the claimant in physical form duly certified by its Nodal Officer along with the e-verification report along with a scanned copy of both sides of original physical share certificate or original bond or deposit or debenture certificate/s duly cancelled and certified.

Provided that if the online verification report is not sent by the company within 30 days of filing of claim, the company may do so by paying additional fee of Rs. 50/day subject to maximum of Rs. 2500.

In case of non-receipt of verification report along with documents by the Authority after the expiry of 60 days from the date of filing of Form No. IEPF-5, the Authority may reject Form No. IEPF-5, after sending a communication to the claimant and the concerned company, on the e-mail address of the claimant and the company, to furnish response within a period of 15 days.

Timeline Summary

Sr. No.	Form No.	Rule No.	Particulars of Form	Time period
1	IEPF-1	Rule 5	Statement of amounts credited to Investor Education and Protection Fund	Within a period of 30 days of such amounts becoming due to be credited to the Fund.
2	IEPF-1A	Rule 5	Statement of amounts credited to Investor Education and Protection Fund under the old Act	Within 60 days of notification of publication of these rules (19.10.2019).
3	IEPF-2	Rule 5(8)	Statement of unclaimed and unpaid amounts	<ul style="list-style-type: none"> • Within a period of 60 days after the AGM or; • the date on which it should have been held as per the provisions of section 96 of the Act, whichever is earlier and; every year thereafter till the completion of 7 years period.
			Details of Nodal officer	Within 15 days from the date of publication of these rules. In case of any change in details of Nodal officer, file within 7 days of such change.

Timeline Summary

Sr. No.	Form No.	Rule No.	Particulars of Form	Time period
4	IEPF-3	Rule 6	Statement of shares and unclaimed or unpaid dividend not transferred to IEPF	Within 30 days from the end of financial year
5	IEPF-4	Rule 6	Statement of shares transferred to IEPF	Within 30 days of corporate action executed by the company
6	IEPF-7	Rule 6	Statement of amounts credited to IEPF on account of shares transferred to the fund	Within 30 days from the date of remittance or Within 30 days from the date of enforcement of these Rules.
7	IEPF-5 (Web Form)	Rule 7	Application to the Authority for claiming unpaid amounts and shares out of Investor Education and Protection Fund (IEPF)	Within 30 days of the receipt of claim, the company shall send an online verification report to the Authority along with supporting documents.

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