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Govt may review investor protection norms

Business Line

Friday, 09 September, 2005, 08:45

New Delhi: The Ministry of Company Affairs is considering reviewing the existing investor protection norms as well as widening the scope of the Investor Education & Protection Fund (IE&PF).

A senior Ministry official said that while any major policy change for strengthening the norms would be considered in the new company law, the Ministry is examining ways of expediting the norms for giving project clearance for investor protection activities.

He added that while the Ministry was receiving a number of proposals for investor protection activities, the time taken for approval is considered to be long. To avoid any delays in clearing the projects, the Ministry is planning to review the approval norms, the official told Business Line.

The Ministry, through the IE&PF, has taken steps towards investor education and protection activities, but this was not enough, sources said. Though it runs investor awareness ad campaigns on Doordarshan, the IE&PF is now looking at associating itself with media agencies to organise investor camps.

The Minister of State for Company Affairs, Prem Chand Gupta, said, "The Ministry is resolved to pursuing investor protection through various means including investor awareness and education." He said that the concern of his Ministry stems from the fact that small investors have suffered financial losses due to unscrupulous entities taking advantage of the lack of awareness amongst them.

Till now, the IE&PF has outsourced one research study by Dr L.C. Gupta, and launched watchoutinvestors.com. The IE&PF was created under Section 205 C of the Companies Act. This required the companies to credit unclaimed dividends and matured deposits that were lying unclaimed with them for over seven years. The money is credited to CFI and the IE&PF gets it in the form of budgetary allocation.

The corpus is for investor protection and administered through a committee headed by Secretary, Ministry of Company Affairs.

Commenting on some of the major initiatives taken by the Ministry for investor protection, the official said, besides the

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IE&PF, the Ministry has also set up an investor protection cell and a special cell to monitor action against vanishing companies.

The investor protection cell primarily deals with complaints relating to non-receipt of shares/debentures certificates after allotment or transfer, non-receipt of dividend warrants, and non-payment of mature deposits. In 2004-05, the Ministry had received 5,369 complaints from the various investors, up from 3,667 in 2003-04.

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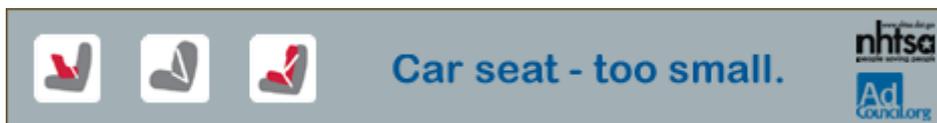
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