Investor protection means to protect the investors from being cheated, deceived or being put to loss by the companies.

In India, investor protection is the major responsibilities of SEBI. Moreover, SEBI was constituted for purpose of investor protection. In the preamble to the SEBI Act, 1992 two objectives are mentioned. The first objective is protecting the interest of the investors in securities and the second is to promote the development of and to regulate the securities market and for matters connected therewith or incidental thereto. Thus priority is accorded to investor protection in the SEBI Act.

LEGAL FRAMEWORK FOR INVESTOR PROTECTION IN INDIA

In order to afford adequate protection to the investors, provisions have been incorporated in different legislations such as the Companies Act, Securities Contracts (Regulation) Act, Consumer Protection Act, Depositories Act, and Listing Agreement of the Stock Exchanges supplemented by many guidelines, circulars and press notes issued by the Ministry of Finance, Ministry of Company Affairs and SEBI from time to time. The legislations as well as the rules and regulations notified there under specify disclosure requirements to be complied with by the companies and also punishments and remedies for failure of compliance.

RIGHTS OF SHAREHOLDERS

Since the shareholders furnish the funds and bear the risk, they have been given certain rights, both in their individual capacity and as a group. It is as a group, when attending general meetings of the company, that shareholders enjoy the privilege of exercising control over the policy in relation to the working of the company.
### INDIVIDUAL RIGHTS:

The individual rights of a shareholder include the right to:-

(i) Receive notice of general meetings of the company and to attend those meetings and vote at them either in person or by proxy;

(ii) Receive dividends, when declared;
   - Transfer his shares, subject to restrictions, if any, imposed by the articles;
   - Inspect registers and records of the company and obtain extracts;
   - Apply to the Court to have any variation or abrogation of his rights set aside by the Court;
   - Share in the assets of the company on its dissolution.

### GROUP RIGHTS:

The law requires that the following things to be done only with the consent of the shareholders in a meeting:-

(a) Commencement of any new business (as stated in the memorandum under ‘other objects’).
(b) Sale, lease or disposal of the whole, or substantially the whole of the undertaking of the company;
(c) Remission of, or granting time for, the repayment of any debt due by a director;
(d) Investment of any compensation received by the company for the compulsory acquisition of its undertaking (such consent is not required if the investment is made in trust securities);
(e) Borrowing of moneys in excess of the aggregate paid-up capital and its free reserves;
(f) Appointment of sole selling agents by the Board;
(g) Issue of bonus shares;
(h) Reorganisation of the capital;
(i) Amendment of the memorandum and articles;
(j) Voluntary winding up of the company.

### RESPONSIBILITIES OF AN INVESTOR AS A SECURITY HOLDER

(a) To be specific
(b) To remain informed
(c) To be vigilant
(d) To participate and vote in general meetings
(e) To exercise your rights on your own or as a group.

### RIGHTS OF AN INVESTOR AS A DEBENTURE HOLDERS

- To receive interest on redemption of debentures in due time.
- To receive a copy of the trust deed on request.
- To apply for winding up of the company if the company fails to pay its debt.
- To approach the Debenture Trustee with your grievance.
COMMON GRIEVANCES OF INVESTORS

The general grievances the investors have against companies can be listed as under:-

(a) Furnishing inadequate information or making misrepresentation in prospectus, application forms, advertisements and rights offer documents.
(b) Delay/non-receipt of refund orders, allotment letters and share certificates/debenture certificates/bonds.
(c) Delay/non-receipt of share certificates/debenture certificates.
(d) Delay in listing of securities with stock exchanges.
(e) Delay/non-receipt of bonus shares/right shares.
(f) Delay/non-receipt of notices for meetings/annual reports.
(g) Delay/non-receipt of interest warrants and dividend warrants.
(h) Obtaining undue benefits by company insiders.
(i) Delay/default in payment of interest and repayment of deposits.

In respect of each of the above grievances complaints can be lodged with the Registrar of Companies, stock exchanges or SEBI as the case may be and in certain cases, they can be pursued with the Company Law Board also to obtain remedies and relief.

REDRESSAL OF INVESTOR GRIEVANCES

The following table indicates nature of investors’ grievances and the authorities to be approached:-

<table>
<thead>
<tr>
<th>Nature of grievance</th>
<th>Can be taken up with</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In case of any public issue</td>
<td></td>
</tr>
<tr>
<td>Non-receipt of:</td>
<td></td>
</tr>
<tr>
<td>- Refund order</td>
<td>- SEBI</td>
</tr>
<tr>
<td>- Interest on delayed refund</td>
<td>- Ministry of Company Affairs</td>
</tr>
<tr>
<td>- Allotment advice</td>
<td>- Stock Exchange</td>
</tr>
<tr>
<td>- Share certificates</td>
<td>- Registrars to the Issue</td>
</tr>
<tr>
<td>- Duplicates for all of the above</td>
<td>- Registrars to the Issue</td>
</tr>
<tr>
<td>- Revalidations</td>
<td>- Registrars to the Issue</td>
</tr>
</tbody>
</table>
### 2. In case of a listed security

| Non-receipt of the certificates after: | - SEBI  
| - SEBI  
| - SEBI  
| - Ministry of Company Affairs  
| - Stock Exchange  
| - Stock Exchange  
| - Stock Exchange  |
| - transfer  
| - transmission  
| - conversion  
| - endorsement  
| - consolidation  
| - splitting  
| - duplicates of securities Regarding listed- SEBI |

### 3. Debentures, non-receipt of

| - interest due  
| - redemption proceeds  
| - interest on delayed payment |

### 4. Other cases

| - Regarding bad delivery of shares  
| - Regarding shares or debentures in unlisted companies  
| - Deposits in collective investment schemes like plantations, etc.  
| - Units of Mutual Funds  
| - Fixed Deposits in Banks and Finance Companies.  
| - Fixed Deposits in manufacturing companies. |

- SEBI  
- Ministry of Company Affairs  
- The Debenture Trustees/ Stock Exchange  
- Bad delivery cell of the stock exchange  
- Ministry of Company Affairs  
- SEBI  
- SEBI  
- Reserve Bank of India  
- Ministry of Company Affairs

Investor Information Centres have been set up in every recognised stock exchange which takes up all complaints regarding the trades affected in the exchange and the relevant member of the exchange.

**Moreover two other avenues are always available to the investors to seek redressal of their complaints:**

(a) Complaints with Consumers Disputes Redressal Forum.  
(b) Suits in the Court of Law.
Investor Education forms an important part of SEBI’s efforts to protect the interest of the investors in securities markets.

A series of information brochures and pamphlets have been issued in the past for the benefit of the investors.

These publications indicate the various risks associated with

- capital market investment
- the rights of the investors,
- the responsibilities and
details of the grievance redressal machinery available to them and
- the remedy/relief to be obtained from different agencies like SEBI, Ministry of Company Affairs, Stock Exchanges etc.,
apart from seeking relief through Consumers Disputes Redressal Forums, Company Law Board and Court of Law.

The investors associations must be registered

- with SEBI, the stock exchanges and professional bodies
- also conduct investor education programmes
- from time to time
to appraise the investors of the changes in the law and regulations and
- the methods of protecting themselves
- against malpractices and
delays cropping up in the market.

Ministry of Corporate Affairs has taken various initiatives to educate investors, particularly, since 2001, the Investor Education and Protection Fund (IEPF) has been working for educating the investors and for creating greater awareness about investments in the corporate sector.
OMBUDSMAN

Ombudsman in its literal sense is an independent person appointed to hear and act upon citizen’s complaint about government services.

Eligibility Criteria for Appointment of a Ombudsman

<table>
<thead>
<tr>
<th>In order to be appointed as an Ombudsman, a person is required to be—</th>
<th>However a person is not qualified to hold the office of the Ombudsman if—</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) a citizen of India; (b) of high moral integrity; (c) not below the age of forty five years; and (d) either a retired District Judge or qualified to be appointed a District Judge, or having at least ten years experience of service in any regulatory body, or having special knowledge and experience in law, finance, corporate matters, economics, management or administration for a period of not less than ten years, or an office bearer of investors’ association recognised by the Board having experience in dealing with matters relating to investor protection for a period of not less than 10 years.</td>
<td>(a) he is an un-discharged insolvent; (b) he has been convicted of an offence involving moral turpitude; (c) he has been found to be of unsound mind and stands so declared by a competent court; (d) he has been charge sheeted for any offence including economic offences; (e) He has been a whole-time director in the office of an intermediary or a listed company and a period of at least 3 years has not elapsed.</td>
</tr>
</tbody>
</table>

Tenure

A person appointed as an Ombudsman will hold office for a term of three years and shall be eligible for reappointment for another period of two years. No person can hold the office of Ombudsman after attaining the age of sixty-five years.

POWERS AND FUNCTIONS OF OMBUDSMAN

The Ombudsman has the following powers and functions:-

(a) to receive complaints against any intermediary or a listed company or both;
(b) to consider such complaints and facilitate resolution thereof by amicable settlement;
(c) to approve a friendly or amicable settlement of the dispute between the parties;
(d) To adjudicate such complaints in the event of failure of settlement thereof by friendly or amicable settlement.
SEBI (INVESTOR PROTECTION AND EDUCATION FUND) REGULATIONS, 2009


Regulation 3 of the Act lays down the establishment of the fund which shall be called the Investor Protection and Education Fund.

Regulation 4 provides for the amounts to be credited to the Fund. The following amounts shall be credited to the Fund:

(a) Contribution as may be made by SEBI to the Fund;
(b) Grants and donations given to the Fund by the Central Government, State Government or any other entity approved by SEBI for this purpose;
(c) Security deposits in respect of public issues and rights issues, in the event of de-recognition of such stock exchanges;
(d) Amounts in the Investor Protection Fund and Investor Services Fund of a stock exchange, in the event of de-recognition of such stock exchange;
(e) Interest or other income received out of any investments made from the Fund;
(f) Such other amount as SEBI may specify in the interest of investors.

Utilization of Fund

| The fund shall be utilized for the purpose of protection of investors and promotion of investor education and awareness in accordance with these regulations. |
| (a) Educational activities including seminars, training, research and publications, aimed at investors; |
| (b) Awareness programmes including through media- print, electronic, aimed at investors; |
| (c) Funding investor education and awareness activities of Investors’ Associations recognized by SEBI |
| (d) Salary, allowances and other expense of office of Ombudsman; and |
| (e) Such other purposes as may be specified by SEBI; |

Condition for Aid

| The aid shall be given by SEBI to investors’ associations, 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; |
| (b) Such aid shall not be considered for more than one legal proceeding in a particular matter; |
| (c) If more than on investors’ association applies for seeking legal aid, the investors’ association whose application is received first, shall be considered for such aid. |
Financial literacy-cum-counseling center

RBI has set up financial literacy-cum-counseling center for investor education in few districts on pilot basis to help individuals find realistic solutions to their problems and solution for repayments that they achievable. Centre provides financial education and credit counseling. Financial Literacy includes providing familiarity with an understanding of financial market products, their rewards as well as risks, to enable individuals to make informed choices and to take effective action to improve overall well-being and avoid distress in financial matters. Credit Counseling include educating the debtor about credit, budgeting financial management and imparting negotiating skill with creditors to work out a repayment plan.

INITIATIVES TAKEN SO FAR ON FINANCIAL LITERACY IN INDIA

- Reserve Bank of India has undertaken a project titled “Project Financial Literacy”.
- Securities Exchange Board of India has launched a comprehensive securities market awareness campaign for educating investors through workshop, audio visual, distribution of booklets etc.
- The Institute of company Secretaries of India is organizing Investor Awareness Programmes under IEPF since 2005 and has organized more than 1700 Investor Awareness Programmes.
- MCA has a dedicated approach for empowering investors through education and awareness building. MCA has taken various initiatives to educate investors, particularly, since 2001, the Investor Education and Protection Fund (IFPF) has been working for educating the investors and for creating greater awareness about investments in the corporate sector.
- The Pension Fund Regulatory and Development Authority, India’s youngest regulator has been engaged in spreading social security messages to the public. PFRDA has developed FAQ on pension related topics on its web, and has been associated with various non government organizations in India in taking the pension services to the disadvantaged community

INVESTOR GRIEVANCE REDRESSAL MECHANISM AT SEBI INVESTOR GREIVANCE

There will be occasions when an investor has complaint against a listed company or an intermediary registered with SEBI.

In the event of such complaint, the investor should first approach the concerned company/intermediary against whom there is a complaint. Sometimes the response received may not be satisfactory. Therefore, investors should know as to which authority they should approach, to get their complaints redressed.
| SCORES (SEBI COMPLAINTS REDRESS SYSTEM) | • SCORES is a web based centralized grievance redress system of SEBI (http://scores.gov.in).
• SCORES enables investors to lodge and follow up their complaints and track the status of redressal of such complaints online from the above website from anywhere.
• This enables the market intermediaries and listed companies to receive the complaints online form investors, redress such complaints and report redressal online.

| Which are the matters that are not considered as complaints by SEBI? | • Complaints that are incomplete or not specific
• Allegations without supporting documents
• Offering suggestions or seeking guidance/ explanation
• Seeking explanation for non-trading of shares or illiquidity of shares
• Not satisfied with trading price of the shares of the companies
• Non-listing of shares of private offer
• Disputes arise out of private agreement with companies / intermediaries. |