



CIRCULAR

SEBI/HO/MRD/DP/CIR/P/2016/58

June 07, 2016

To,

The Depositories,

Dear Sir / Madam,

Subject: Investor Protection Fund (IPF) of Depositories

1. The Depository System Review Committee (DSRC) had examined various aspects of the depository IPF including utilization and investment policy of IPF and quantum of funds to be transferred to IPF. The Expert Committee on Clearing Corporations also deliberated the issue with regard to quantum of funds to be transferred by the Depositories to their IPF.
2. SEBI (Depositories and Participants) (Amendment) Regulations, 2012 require every depository to establish and maintain an Investor Protection Fund (IPF). Pursuant to the aforesaid committee recommendations, the SEBI (Depositories and Participants) Regulations were amended mandating the depositories to credit five per cent or such percentage as may be specified by the Board, of its profits from depository operations every year to the IPF.
3. Based on recommendations of DSRC and Expert Committee on Clearing Corporations, the following guidelines are being issued with regard to IPF of the Depositories.

Utilization of the IPF

4. The IPF may be utilized for the following purposes with a focus on depository related services:
 - i. Promotion of investor education and investor awareness programmes through seminars, lectures, workshops, publications (print and electronic media), training programmes etc. aimed at enhancing securities market literacy and promoting retail participation in securities market.
 - ii. To aid, assist, subsidise, support, promote and foster research activities for promotion/ development of the securities market.
 - iii. To utilize the fund for supporting initiatives of Depository Participants for promotion of investor education and investor awareness programmes.



- iv. To utilize the fund in any other manner as may be prescribed/ permitted by SEBI in the interest of investors.
5. Depositories shall frame their internal guidelines on utilisation of the funds in accordance with the aforementioned objectives and post approval of their board, submit the same to SEBI within 30 days from the date of this circular. Depositories shall also keep SEBI informed of any subsequent changes in internal guidelines with regard to utilization of IPF.

Constitution and Management of the IPF

6. The IPF shall be administered by way of a Trust created for the purpose.
- i. The IPF Trust shall consist of atleast one Public Interest Director (PID) of the depository, one person of eminence from an academic institution from the field of finance / an expert in the field of investor education / a representative from the registered investor associations recognized by SEBI and Managing Director of the Depository.
 - ii. The Depository shall provide the secretariat for the IPF Trust.
 - iii. The Depository shall ensure that the funds in the IPF are kept in a separate account designated for this purpose and that the IPF is immune from any liabilities of the Depository.

Contribution to the IPF

7. The following contributions shall be made by the Depository to the IPF
- i. 5% of their profits from Depository operations every year. The depositories shall transfer the amount with effect from the Financial Year 2012-13 as specified in the SEBI (Depositories and Participants) (Amendment) Regulations, 2016.
 - ii. All fines and penalties recovered from Depository Participants and other users including Clearing Member pool account penalty as specified in SEBI circular no. SMDRP/Policy/Cir-05/2001 dated February 01, 2001.
 - iii. Interest or Income received out of any investments made from the IPF.
 - iv. Funds lying to the credit of IPR (Investor Protection Reserve) / BOPF (Beneficial Owners Protection Fund) of the Depository or any other such fund / reserve of the Depository shall be transferred to IPF.
 - v. Any other sums as may be prescribed by SEBI from time to time.



Investments of Fund

8. Funds of the Trust shall be invested in instruments such as Central Government securities, fixed deposits of scheduled banks and any such instruments which are allowed as per the investment policy approved by the Board of the Depository. The investment policy shall be devised with an objective of capital protection along with highest degree of safety and least market risk.
9. The balance available in the IPF as at the end of the month and the amount utilised during the month including the manner of utilization shall be reported in the Monthly Development Report of the Depository.
10. The Depositories shall implement the provisions of this circular within three months from the date of issuance of this circular.
11. The Depositories are advised to:-
 - i. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be applicable/necessary;
 - ii. disseminate the provisions of this circular on their website;
 - iii. communicate to SEBI, the status of implementation of the provisions of this circular in their Monthly Development Report.
12. This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 and Section 19 of the Depositories Act, 1996 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

Susanta Kumar Das
Deputy General Manager