

Unclaimed dividend: 'Use services of students to trace missing shareholders'

Our Bureau | Mumbai, July 31 | Updated On: Jul 31, 2022



Ease process to update KYC, Excellence Enablers tells SEBI

The Excellence Enablers, a corporate governance specialist, has urged corporates to seek the assistance of students during their vacation to trace 'missing investors' and distribute unclaimed dividends worth crores of rupees.

Corporates are mandated to credit dividends to investors bank account within 30 days of announcing it. The dividends that cannot be paid to investors due to inadequate details have to be transferred into a separate 'unpaid dividend account'.

In order to ensure that corporates do not enrich themselves with the income from unclaimed dividend, the government has mandated that the money which has remained unclaimed for seven years from the date of dividend payment, should be transferred to the Investor Education and Protection Fund.

reached out to top-100 companies for ascertaining their effort to trace the 'missing shareholders'. Interestingly, only 25 companies responded and, of this, four companies said they were not doing anything in addition to sending mails to the last-known addresses.

Suggesting new means to deal with a problem, Excellence Enablers said companies can engage students living in localities of the last-known address of the missing investors and get them to talk to their former neighbours, post office officials and others to get some leads on their present whereabouts. This could be done by students during their vacation, and they could be incentivised for this purpose, it said.

SEBI should direct NSDL and CDSL to set up a process of periodical KYC every three years. Under the current processes at depositories, demat account holders are not allowed to make key changes. The processes for other changes are also complex and time-consuming. To address these complexities, SEBI could mandate the depositories to make the processes simple and flexible, without compromising on the compliances and control. This will enable many of the investors to update their records periodically, it said.

Through RTAs (Registrar and Transfer Agents), companies can map the address and contact details of the shareholders with PAN details, as there are many shareholders who may hold more than one demat account and can have different correspondence addresses.

Companies can provide list of shareholders whose consolidated unclaimed dividend is more than a certain amount to the Chairperson and senior management as they might know some of the shareholders due to the shareholder's long association with the company.

Source : <https://www.thehindubusinessline.com/news/unclaimed-dividend-use-services-of-students-to-trace-missing-shareholders/article65702596.ece>