

Consultation Paper on Review of utilization of interest or income from IPF Corpus of Depositories

Objective

1. The objective of this consultation paper is to seek public comments on the proposal to allow depositories for the utilization of certain portion of interest or income received out of any investments of Investor Protection Fund (IPF) of Depositories to meet expenses related to dedicated employees of IPF Trust of Depositories, other administrative and statutory expenses related to such IPF Trust such as applicable taxes, audit fees and charity commissioner's fee, etc.

Background

2. Currently stock exchanges are permitted to utilize a maximum of 5% of the interest or income received out of the investments made from the IPF for meeting expenses related to dedicated employees of IPF Trust, administration of Investor Service Centres (ISCs), other administrative and statutory expenses such as applicable taxes, audit fees and charity commissioner's fee, etc. In case the expenses exceed the above limit, such excess expenses shall be borne by the stock exchange and in case of non-utilization of such amount in the same financial year, the same shall be ploughed back to IPF.
3. However, there is no similar provision for depositories. Currently, 100% of interest or income from their IPF are treated as corpus of IPF and all expenses are to be incurred by the depositories from their own income even if such expenses directly relate to IPF Trust.

IPF Corpus of Depositories

4. As on March 31, 2026, the IPF corpus of both NSDL and CDSL were as under:

NSDL (Rs. Cr.)	CDSL (Rs. Cr.)
87.78	95.18

Existing provisions for Utilization of the IPF Corpus of Depositories

5. The amount in IPF and any interest or income generated from the IPF of the depositories shall be utilized for the following purposes:
 - 5.1. 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;
 - 5.2. To utilize the fund for supporting initiatives of Depository Participants (DPs) for promotion of investor education and investor awareness programmes;
 - 5.3. To meet the legitimate claims of the beneficial owners, up to the maximum cap as to be determined by the depository, in case the same is not settled by the beneficial owner indemnity insurance;
 - 5.4. To utilize the fund in any other manner as may be prescribed or permitted by SEBI in the interest of investors.

Consultation in the Secondary Market Advisory Committee of SEBI (SMAC)

6. Based on the representations received from depositories, the suggestion regarding alignment of the provisions applicable for utilization of interest or income from IPF of Depositories with that of the Stock Exchanges for the purpose of meeting expenses related to the employees of the IPF Trust, other administrative and statutory expenses such as applicable taxes, audit fees and charity commissioner's fee, etc. was discussed in the SMAC. After detailed deliberations, the Committee agreed with the proposals.

Proposal

7. In view of the above, the following are proposed to be permitted:
 - 7.1. To meet expenses related to dedicated employees of IPF Trust of the depository, other administrative and statutory expenses such as applicable taxes, audit fees and charity commissioner's fee, etc., subject to a maximum of 5% of such interest

or income from investments of the IPF during the year may be permitted to be utilized by the depository.

- 7.2. In case the expenses exceed the above limit, such excess expenses shall be borne by the Depository and in case of non-utilization of such amount in the same financial year, the same shall be ploughed back to IPF;

Public Comments on this Consultation Paper

1. Public comments are invited on the proposal for review utilization of interest or income from IPF corpus of depositories. The comments/ suggestions should be submitted latest by **June 01, 2026** through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

2. In case of any technical issue in submitting your comment through web based public comments form, you may send your comments through e-mail to verasiv@sebi.gov.in & mrd_pod3@sebi.gov.in with the subject: **“Review of utilization of interest or income from IPF Corpus of Depositories”** on the proposals at paragraph 7 above.

Issued on: May 11, 2026