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CORPORATE REGULATORY AUTHORITY

**REGULATIONS FOR INVESTOR PROTECTION
FUND (IPF), 2024**

ROYAL GOVERNMENT OF BHUTAN

MINISTRY OF INDUSTRY, COMMERCE AND EMPLOYMENT

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REGULATIONS FOR INVESTOR PROTECTION FUND, 2024

In exercise of the powers vested by Section 410(b) of the Companies Act of Bhutan 2016, the Corporate Regulatory Authority (CRA) hereby adopts the Regulations for the Investor Protection Funds (IPF), 2024 for the listed companies in Bhutan, to provide for administration and management of Investor Protection Funds, as follows:

PART I

PRELIMINARY

Title and Commencement

1. This Regulations shall:
 - (1) Be called the Regulations for Investor Protection Fund (IPF), 2024; and
 - (2) Come into force on September 1, 2024.

Scope

2. This Regulation shall govern the management of the Investors Protection Fund (IPF) in listed companies in Bhutan.

PART II

PRIMARY MARKET REGULATORY COMMITTEE AND ADMINISTRATION OF UNCLAIMED FUND

3. The Primary Market Regulatory Committee (Committee) established under the Companies Act of Bhutan, 2016 (Companies Act) shall govern the management and administration of the unclaimed fund.

Meeting

4. The meeting of the Committee shall be convened by the Corporate Regulatory Authority (CRA), when deemed necessary or on receipt of agendas.

Quorum

5. There shall be a minimum of three members to constitute a quorum for the meeting.

Decision

6. The decisions at the Committee shall be taken by the majority of members voting in favor of any resolution, and in case of equality of votes, the Chairperson of the Committee shall have a casting vote.

Objectives of the Investor Protection Fund

7. The objectives of the Investor Protection Fund are as follows:

- (1) To protect the rights and interests of investors in the securities market by ensuring the efficient and transparent administration of the Fund.
- (2) To promote investor education and awareness, and to provide investors with the necessary information and resources to make informed investment decisions.
- (3) To ensure that unclaimed dividends, proceeds of the unclaimed shares, and surplus fund from the Prospectus Approval Fee fund are transferred to the Fund in a timely manner and that the refund of unclaimed dividends and proceeds of the unclaimed shares to eligible investors is conducted in an efficient and transparent manner.
- (4) To ensure the proper accounting and reporting of investor protection fund transactions, including surplus money from the Prospectus Approval Fund, and to promote responsible

investment of funds for the benefit of investors.

- (5) To promote investor confidence in the securities market by ensuring that the Fund is managed and administered in accordance with the highest standards of transparency and accountability.

Administration and Management of Investor Protection Fund

8. The Committee shall be the governing body responsible for the administration and management of unclaimed funds.
9. The committee shall decide on secured investment options for unclaimed funds to be invested in a predetermined ratio.
10. The committee shall propose amendments to these regulations for the administration and management of the fund, and to take any necessary actions to carry out the purpose and objectives of the fund.
11. The Royal Securities Exchange of Bhutan (RSEB) shall be responsible for the day-to-day management of the fund. A management fee of 5% of the total income from the investment of the fund shall be payable to RSEB annually.

12. The committee shall have the power to invest the funds held in the fund in accordance with these regulations.
13. The RSEB shall ensure that an annual account of the fund is prepared and submitted to the committee and Corporate Regulatory Authority, detailing the financial position and performance of the Fund.
14. The committee shall take all necessary actions to ensure that the fund is managed in accordance with the highest standards of transparency and accountability and that the rights and interests of investors are protected at all times.

Transfer of Unclaimed Dividends and Proceeds of Unclaimed Shares

15. Companies listed on the RSEB shall be required to transfer any unclaimed dividends and proceeds of unclaimed shares to the unclaimed fund account, after a period of three months from the date on which the dividends or proceeds of unclaimed shares became due for payment.

16. The RSEB shall publish a list of companies that are required to transfer unclaimed dividends and proceeds of unclaimed shares to the fund and shall make this list available to the public in its website.
17. The CRA shall have the power to enforce the transfer of unclaimed dividends and proceeds of unclaimed shares to the fund and may take any necessary action to ensure compliance with these regulations, including imposing fines for non-compliance.
18. Any person who believes that they are entitled to receive unclaimed dividends or proceeds of unclaimed shares that have been transferred to the fund may make a claim for such dividends or proceeds of unclaimed shares by following the procedures established by the RSEB.
19. The RSEB shall pay any claims for unclaimed dividends and proceeds from unclaimed shares that are found to be valid.

PART III

INVESTOR PROTECTION FUND

Sources of Funds

20. Contribution by the Government, Multilateral Agencies, or any other institution for the purposes of the Fund;
21. The Income from the investments made by managing the Unclaimed Funds.
22. Surplus fund from Prospectus Approval Fee fund.

Utilization of the Fund

23. The Fund shall be used:
 - (1) to promote investors' education and awareness through various means, including seminars, workshops, and other public events.
 - (2) to develop educational materials, including brochures, fact sheets, and online resources, to help investors make informed investment decisions.

- (3) in partnership with the relevant organizations, to promote investor education and awareness, and to develop programs and initiatives, and capital market-related regulations, aimed at educating and protecting investors.
- (4) to support research and analysis initiatives related to the investment behavior and needs of investors in Bhutan, and shall use this information to develop and implement effective investor education programs.
- (5) to meet the expenses incurred including sitting fees for the members and special invitees to the committee meetings, and for any other activities or programs related to PMRC.

Definitions

24. In this Regulations, unless the context requires otherwise:

- (1) **Regulatory Authority** shall have the same meaning as defined in the Companies Act, 2016;

- (2) **Unclaimed Funds** shall include unclaimed dividends, any unclaimed proceeds from the sale of shares pursuant to the delisting of the companies from the exchange, and unclaimed surplus resulting from the liquidation of a company.
- (3) **Investor** means an individual, legal entity, or organization that allocates financial resources in return for ownership in the company with the expectation of generating profit in the form of dividends or capital appreciation.
- (4) **Investor Protection Fund** is the fund created out of contributions made by the Government, multilateral agencies, or any other Institutions and surplus of PAC fund, and includes the income from the investments made by managing the unclaimed funds.