

Companies (Issue of Share Certificates) Rules, 1960

1. Short title.- These rules may be called the Companies (Issue of Share Certificates) Rules, 1960.

2. Effect of rules.- These rules shall have effect notwithstanding anything to the contrary contained in the articles of association of a company.

3. Definitions.- In these rules, unless the context otherwise requires:

(a) "Act" means the Companies Act, 1956 (1 of 1956);

(b) "Board" means the Board of Directors of a company or a Committee thereof consisting of not less than three directors where the total number of directors exceeds six and not less than two directors where the total number does not exceed six:

Provided that, to the extent that the composition of the Board of Directors permits of it, at least half of the number of members of the Committee shall consist of directors other than a managing or whole-time director and

(c) "Seal" means the common seal of a company.

4. Issue of share certificate.- (1) When a company issues any capital, no certificate of any share or shares in the company shall be issued except:

(i) in pursuance of a resolution passed by the Board; and

(ii) on surrender to the company of its letter of allotment or of its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation, or in cases of issue of bonus shares:

Provided that if the letter of allotment is lost or destroyed, the Board may impose such reasonable terms, if any, as to evidence and indemnity and the payment of out of pocket expenses incurred by the company in investigating evidence, as the Board thinks fit.

(2) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn-out, or where the cages in the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the company:

Provided that the company may charge such fee, if any, not exceeding Rs. 2 per certificate issued on splitting or consolidation of share certificates or in replacement of share certificates that are defaced or torn, as the Board thinks fit.

(3) No duplicate share certificate shall be issued in lieu of those that are lost or destroyed, without the prior consent of the Board or without payment of such fees, if any, not exceeding Rs. 2, and on such reasonable terms, if any, as to evidence and indemnity and the payment of out of pocket expenses incurred by the company in investigating evidence, as the Board thinks fit.

The companies listed with OTC Exchange of India, a company registered under section 25 of the Companies Act, 1956, may issue a jumbo share certificate in favour of Custodian and issue counter receipts to every allottee with respect to their holding:

Provided that no counter receipt shall be issued after the 28th February, 1999.

Explanation.-For purposes of sub-rule (4), "Custodian" means an entity carrying on post trade activities such as, settlement of purchases and sales, information reporting, safe keeping of securities and/or participating in any clearing system for and on behalf of the client to effect deliveries of the securities

5. Form of certificate.- (1) Every certificate shall specify the name(s) of the person(s) in whose favour the certificate is issued, the shares to which it relates and the amount paid-up thereon.

(2) When any certificate is issued in any of the circumstances specified in rule 4, sub-rule (2), it shall state on the face of it and against the stub or counterfoil to the effect that it is "Issued in lieu of share certificate No _____ sub-divided/replaced/on consolidation of shares".

(3) When any certificate is issued in any of the circumstances specified in rule 4, sub-rule (3), it shall state on the face of it and against the stub or counterfoil to the effect that it is a "duplicate issued in lieu of share certificate No. _____ ". Further, the word "duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

6. Sealing and signing of certificate.- Every share certificate shall be issued under the seal of the company, which shall be affixed in the presence of (i) two directors or persons acting on behalf of the directors under a duly registered power of attorney; and (ii) the secretary or some other person

appointed by the Board for the purpose. The two directors or their attorneys and the secretary or other person shall sign the share certificate:

Provided that, if the composition of the Board permits of it, at least one of the aforesaid two directors shall be a person other than a managing or whole-time director.

Explanation: For the purpose of this rule, a director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

7. Records of certificates issued.- (1) Particulars of every share certificate issued in accordance with rule 4, sub-rule (1), shall be entered in the Register of Members maintained in the form set out in the Appendix annexed hereto or in a form as near thereto as circumstances admit, against the name(s) of person(s) to whom it has been issued, indicating the date of issue.

(2) Particulars of every share certificate issued in accordance with rule 4, sub-rules (2) and (3), shall be entered in a Register of Renewed and Duplicate Certificates indicating against the name(s) of the person(s) to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross-references in the "Remarks" column.

(3) All entries made in the Register of Members or the Register of Renewed and Duplicate Certificates shall be authenticated by the secretary or such other person as may be appointed by the Board for purposes of sealing and signing the share certificate under the provisions of rule 6.

8. Printing of forms.- All blank forms to be used for issue of share certificates, shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the secretary or such other person as the Board may appoint for the purpose; and the secretary or other person aforesaid shall be responsible for rendering an account of these forms to the Board.

9. Custody of books and documents.- (1) The following persons shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of share certificates referred to in rule 8, namely:-

(a) Omitted vide the Companies (Amendment) Act, 1969.

(b) Omitted vide the Companies (Amendment) Act, 1969.

(c) Omitted vide the Companies (Amendment) Act, 1969.

(d) where the company has a managing director, the managing director; and

(e) where the company has no managing director, every director of the company.

(2) All books referred to in sub-rule (1) shall be preserved in good order permanently, and all certificates surrendered to a company shall immediately be defaced by the word "cancelled" being stamped or punched in bold letters and may be destroyed after the expiry of three years from the date on which they are surrendered, under the authority of a resolution of the Board and in the presence of a person duly appointed by the Board in this behalf:

Provided that nothing in this sub-rule shall apply to cancellation of the certificates of security, under sub-section (2) of section 6 of the Depositories Act, 1996 (22 of 1996), when such certificates are cancelled in accordance with sub-regulation (5) of regulation 54 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, made under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 25 of the Depositories Act, 1996 (22 of 1996).