

# Companies Act Fundamentals

## Nomination facility for securities



2020 MHA Legal

# *Applicable Law*

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- Chapter IV- Share Capital and Debentures - Section 43-72 of the Companies Act 2013
  - The Companies (Share Capital and Debentures) Rules, 2014.
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- Act means – Companies Act 2013
  - Rules means - The Companies (Share Capital and Debentures) Rules, 2014.

# *Nomination facility for securities*

# *Nomination for Securities*

- Section 72 of the act permits Every holder of securities of a company to nominate any person to whom his securities shall vest in the event of his death.
- If the the securities of a company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, any person to whom all the rights in the securities shall vest in the event of death of all the joint holders.
- ) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the securities of a company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the securities of the company, the nominee shall, on the death of the holder of securities or, as the case may be, on the death of the joint holders, become entitled to all the rights in the securities, of the holder or, as the case may be, of all the joint holders, in relation to such securities, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

## *Nomination for securities*

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- If the nominee is a minor, it shall be lawful for the holder of the securities, making the nomination to appoint, in the prescribed manner, any person to become entitled to the securities of the company, in the event of the death of the nominee during his minority.

## *Procedure for nomination*

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- Any holder of securities of a company may, at any time, nominate, in Form No. SH.13, any person as his nominee in whom the securities shall vest in the event of his death.
- On the receipt of the nomination form, a corresponding entry shall forthwith be made in the relevant register of securities holders, maintained under section 88.
- If the nomination is made in respect of the securities held by more than one person jointly, all joint holders shall together nominate in Form No.SH.13 any person as nominee.
- The request for nomination should be recorded by the Company within a period of two months from the date of receipt of the duly filled and signed nomination form.
- In the event of death of the holder of securities or where the securities are held by more than one person jointly, in the event of death of all the joint holders, the person nominated as the nominee may upon the production of such evidence as may be required by the Board, elect, either-

## *Procedure for nomination*

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- (a) to register himself as holder of the securities ; or
- (b) to transfer the securities, as the deceased holder could have done.
- If the person being a nominee, so becoming entitled, elects to be registered as holder of the securities himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased share or debenture holder(s).
- All the limitations, restrictions and provisions of the Act relating to the right to transfer and the registration of transfers of securities shall be applicable to any such notice or transfer as aforesaid as if the death of the share or debenture holder had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

## *Procedure for nomination*

- A person, being a nominee, becoming entitled to any securities by reason of the death of the holder shall be entitled to the same dividends or interests and other advantages to which he would have been entitled to if he were the registered holder of the securities except that he shall not, before being registered as a holder in respect of such securities, be entitled in respect of these securities to exercise any right conferred by the membership in relation to meetings of the company:
- The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the securities, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends or interests, bonuses or other moneys payable in respect of the securities, as the case may be, until the requirements of the notice have been complied with.
- A nomination may be cancelled, or varied by nominating any other person in place of the present nominee, by the holder of securities who has made the nomination, by giving a notice of such cancellation or variation, to the company in Form No. SH.14.



## *Procedure for nomination*

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- The cancellation or variation shall take effect from the date on which the notice of such variation or cancellation is received by the company.
- If the nominee is a minor, the holder of the securities, making the nomination, may appoint a person in Form No. SH. 14 specified under sub-rule (1), who shall become entitled to the securities of the company, in the event of death of the nominee during his minority.

*Thank you*



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# Thank You

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