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FINANCE DEPARTMENT

NOTIFICATION

The 20th October, 2014

SUBJECT : Accounting procedure of Corpus Fund for Protection of Interest of Depositors.

Background

No-29610-FIN-BUD3-PD-1/2014/F.— Instances of unscrupulous financial establishments including individuals, associations, firms, partnerships, companies and even co-operatives mobilising large sums of deposits from the public by luring them with unsustainable higher rate of returns and other incentives and eventually vanishing with their deposits has been a cause for concern of the State Government for some time past. In spite of existing legal and regulatory provisions, unscrupulous financial establishments/ companies and unincorporated bodies continued to commit fraud on the depositors particularly the small investors. Therefore, the State Government took the cognizance of such misappropriation of public deposit and proceeded to appoint a Commission of Inquiry consisting of Shri Justice R. K. Patra, Retired Chief Justice of Sikkim High Court to suggest measures *inter alia* to safeguard the interest of genuine investors affected by the recent incidents relating to unauthorized collection of public deposits and its misappropriation. Shortly, thereafter, in order to curb such practices the State Government have enacted “**The Odisha Protection of Interest of Depositors (In Financial Establishment) Act, 2011**” and framed “The Odisha Protection of Interests of Depositors (in Financial Establishment) Rules, 2013” issued vide Finance Department Notification No. 30148-FIN-PUIF-0003/2013/F., dated the 24th September, 2013.

2. (i) In terms of the provisions sub-section (1) of Section 4 read with sub-section (1) of Section 8 of **The Odisha Protection of Interest of Depositors (In Financial Establishment) Act, 2011**, the State Government have constituted four designated Courts in consultation with the Chief Justice of Odisha High Court and have declared the Additional District Magistrates of these Districts as Competent Authority so as to exercise control over the properties attached by the Government under Section-3 of the said Act.

(ii) Government and the Competent Authorities have been empowered under relevant provisions of the Act to attach and sale property of Financial Establishments found to have committed the fraud under the orders and direction of the designated Courts. Accounts in respect of property attached and disposed of shall be maintained in accordance with the provisions of Rule-7 of the Odisha Protection of Interests of Depositors (in Financial Establishments) Rules, 2013.

Corpus Fund

3. In addition to the legal and institutional framework to protect the interest of Depositors, the State Government also contemplated for creation of a one-time Corpus Fund of ` 300.00 crores (Rupees three hundred crores) at the first instance so as to safeguard the interest of genuine and small depositors in case the sale proceeds of properties of unscrupulous financial establishments fail to compensate the loss suffered by such depositors who have become victims of such unscrupulous financial establishments.

4. **Fund for Protection of Interest of Depositors:**

(a) There shall be constituted a Corpus Fund namely “**Fund for Protection of Interest of Depositors**” from and out of which the amount of compensation shall be paid to the depositors or his/her dependants, as the case may be.

(b) The Fund shall be maintained in the Public Account under the section ‘Reserve Funds not bearing interest’ under the Head of Account “8235- General and Other Reserve Funds-200- Other Funds-2897-Fund for Protection of Interest of Depositors - 91079- Transfer from Revenue Account”.

(c) The Fund shall be operated by the Director, Institutional Finance-*Ex officio*-Additional Secretary to Government, Finance Department.

(d) There shall be credited to the Fund-money out of the Consolidated Fund of the State Government provided in the Head of Accounts in Demand No.5-2075-Miscellaneous General Services-797-Transfer to/from Reserve Fund/ Deposit Account-2897-Fund for Protection of Interest of Depositors-91097-Transfer to Reserve Fund for Protection of Interest of depositors.

5. Maintenance of the Fund:

Maintenance
of the Fund

The accounts of the Fund shall be maintained by the Accountant General (A&E), Odisha.

6. Target Group/Beneficiaries of the Fund:

The Fund shall cover the genuine and small depositors those have lost their deposits made with unscrupulous financial establishments and in case of death of the depositor, his/her legal heirs who have lost the deposits would be eligible for compensation.

7. Compensation from the Fund:

Compensation

Under this scheme, the genuine and small investors or dependants, who have lost their deposits in any unscrupulous financial establishments, as the case may be, shall be entitled to financial compensation from the Fund.

8. Eligibility for compensation from the Fund:

The depositor(s) shall be eligible for compensation from the fund provided, he/she has not been compensated for the loss under any other scheme of the Central or the State Government or Insurance Company or any other institution. The depositor shall furnish details of claims for compensation submitted under any other scheme or from any other source. The liability of the State Government is to the extent of protecting the interest of genuine and small investors provided they are not compensated from any other source subject to the limit indicated by the Fund Management Committee and corpus of the fund.

9. Authorities responsible for management of the Fund:

Fund
Management
Committee

(i) Fund Management Committee:

There shall be a Fund Management Committee consisting of following members:

- (a) Additional Chief Secretary/ - Chairman
Principal Secretary to Govt.,
Finance Department.
- (b) Principal Secretary to Govt., - Member
Home Department.
- (c) Additional Chief Secretary/ - Member
Principal Secretary to
Government, Revenue &
Disaster Management
Department.
- (d) Principal Secretary to Govt., - Member
Law Department.
- (e) Director, Institutional Finance - Member Convener
ex-officio Additional Secretary to
Government, Finance
Department.

(ii) Functions of the Fund Management Committee:

The Fund Management Committee shall perform the following functions:—

- (a) To consider the claims and determine the quantum of compensation in accordance with the procedure to be prescribed by Finance Department in this regard and;
- (b) The quantum of compensation to be awarded to a depositor shall not exceed the principal amount of the depositor.
- (c) The amount of compensation as decided by the Fund Management Committee shall be disbursed to the depositor from the Fund.

10. Procedure for grant of compensation:

Procedure for
grant of
compensation

- (a) Whenever a claim is made by the depositor or his/her legal heirs, the Fund Management Committee shall examine the case and

verify the contents of the claim with regard to the loss caused to depositor and after verifying the claim, the Committee shall decide on the matter, in accordance with guidelines issued by Finance Department in this regard.

- (b) The quantum of compensation to be awarded from the Fund shall be disbursed to the depositor or his successor(s)-in-interest as the case may be, from the Fund.
- (c) Compensation received/likely to be received by the depositor from any other source in relation to the deposit in question, namely, insurance, or out of sale proceeds of attached properties of the financial establishments on the orders or direction of the designated Court, *ex-gratia* and/or payment received under any other Act or State run scheme or Central-run scheme, shall be considered as part of the compensation amount under the Scheme and if the eligible compensation amount exceeds the payments received/likely to be received by the depositor from the sources mentioned above, the balance amount shall be paid out of the Fund. The quantum of compensation to be awarded to a depositor shall not exceed the principal amount of the deposit.
- (d) The payment from Fund will be made directly into the Bank Account of the Payee by electronic transfer.
- (e) The Drawing & Disbursing Officer of Finance Department, on recommendation of the Committee shall release the amount sanctioned from the Fund and disburse the same to the investors through their Bank Account by electronic means.
- (f) In order to meet the expenditure from the Reserve Fund, initial expenditure is required to be met from "Demand No 5-2075-Miscellaneous General Services-800-Other Expenditure-2897-Fund for Protection of Interest of Depositors-91095-Amount paid out of Reserve Fund". For final booking of the expenditure, the amount shall be charged to the Corpus Fund "8235- General and Other Reserve Fund-200-Other Funds-2897-Fund for Protection of Interest of Depositors 91079-Transfer from Reserve Fund"with a reverse entry in "2075-Miscellaneous General Services-800-

Other Expenditure-2897-Fund for Protection of Interest of Depositors-91095-Amount paid out of Reserve Fund". For this purpose, a sanction of Government at the end of each financial year should be furnished to Principal Accountant General for adjustment of the amount from the Corpus Fund.

- (g) The books and connected records for payment of compensation will be maintained by the Drawing & Disbursing Officer of the Department in terms of the extant provisions of Odisha Treasury Code and Odisha General Financial Rules.
- (h) Reconciliation of expenditure will be made by the Drawing & Disbursing Officer in the manner prescribed for other DDOs of the State Government.
- (i) The Comptroller & Auditor General of India will audit the accounts of receipts and expenditure of the Fund.

11. Government in Finance Department shall issue detailed guidelines relating to administration of the Fund as may be considered necessary from time to time to enable smooth management of the Fund. In case of any difficulty in the operation of the Fund, the Government in Finance Department may relax any or all of the provisions indicated above.

It has been concurred in by the Principal Accountant General (A&E), Odisha in UOI No 123/F., dated the 26th June, 2014.

By order of the Governor

U. N. BEHERA
Additional Chief Secretary, Finance