Under the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, if a claimant for securities, valued up to Rs. 5 Lakhs, provides one of the documents specified in Rule 2.2(a), such as a succession certificate, the authorities cannot compel the claimant to also furnish an indemnity bond as required under Rule 2.2(b)

The **Gujarat High Court** in the case of **Daksha Nanavati vs Investor Education and Protection Fund Authority [R/Special Civil Application No. 12112 of 2023] dated March 09, 2026**, has clarified that under the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, if a claimant for securities, valued up to Rs. 5 Lakhs, provides one of the documents specified in Rule 2.2(a), such as a succession certificate, the authorities cannot compel the claimant to also furnish an indemnity bond as required under Rule 2.2(b).

The Court ruled that the requirement to submit an indemnity bond under Rule 2.2(b) is an alternative, applicable only when the documents under Rule 2.2(a) are absent. The lawful property of a citizen cannot be denied based on an unwarranted and erroneous interpretation of statutory rules, and any such action by the authorities is arbitrary, unsustainable, and liable to be set aside.

The Court noted that the central issue was whether the respondent authorities were justified in insisting that the petitioner furnish an indemnity bond for the transmission of shares, despite her having already submitted a valid succession certificate, especially when the value of the securities was less than Rs. 5 Lakhs. The respondents contended that the requirement for an indemnity bond was a mandatory part of the procedure prescribed by the IEPF Rules for processing the claim.

The Respondent No. 2 clarified that while it had found the petitioner's documents to be in order, the insistence on the indemnity bond was due to the procedural requirements of the IEPF Authority's online portal and rules. However, Respondent No. 2 also stated it would have no objection to the transmission if the IEPF Authority (Respondent No. 1) waived this requirement.

The Court observed that the respondents' insistence was based on a misinterpretation of Rule 2.2 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016. The Court performed a plain reading of Rule 2.2, which stipulates the documentary requirements for claims involving securities valued up to Rs. 5 Lakhs. It noted that Rule 2.2(a) requires documents like a succession certificate, probate of will, or a court order. At the same time, Rule 2.2(b) requires an indemnity bond and a no-objection certificate from other legal heirs, but this clause is explicitly applicable only 'in the absence of the documents as mentioned at (a) above'.

The Court found that since the petitioner had already furnished a succession certificate under Rule 2.2(a), there was 'no justification whatsoever' to demand compliance with Rule 2.2(b). The Court held that the respondents' action was 'wholly misconceived', 'arbitrary and

unsustainable in law', and that they could not impose additional conditions not contemplated in the rules once the prescribed requirements were met.