

## Chapter - 4 : Share Capital and debentures "

### Part III - Sec. 56 to 59

#### (X) Transfer and Transmission of Securities : Sec. 56 :

##### (a) Meaning of transfer and transmission:

- Transfer means voluntary conveyance of the rights and duties of member to another person desirous of becoming a member, for a consideration involved.
- Transmission means transfer of shares under operation of law.  
It takes place under various circumstances like:

- death of shareholder;
- when shareholder becomes lunatic or declared insolvent.
- in case shareholder is a company, it goes into liquidation.

##### (b) Registration of transfer of securities : Sec. 56(1)

A company shall not register a transfer of securities unless following conditions complied with:

- (1) Proper instrument of transfer (transfer deed) delivered to company within 60 days of execution;
- (2) Instrument of transfer may be delivered by transferor or transferee.
- (3) Instrument of transfer must be duly stamped, dated and executed by or on behalf of transferor and transferee

(4) Instrument must specify the name, address and occupation of the transferee.

(5) Instrument must be accompanied by Share Certificate/Letter of allotment.

Note: If instrument of transfer is lost or not been delivered within specified time, company may register transfer on such terms as to indemnity as the Board may think fit.

(c) Registration of transmission: Sec. 56(2)

A company may register, on receipt of intimation of transmission of any right to securities by operation of law from any person to whom such rights has been transmitted.

(d) Transfer of partly paid shares: Sec. 56(3)

If application is made by transferor for partly paid shares, transfer shall not be registered, unless:

- (i) Company gives the notice of application in form No. SH-5 to transferee; and
- (ii) No objection is received from transferee within 2 weeks.

(e) Time period for delivery of share certificate: Sec. 56(4)

- (i) Subscribers to MoA : within 2 Months from date of Incorporation of Co.
- (ii) Allotment of shares : within 2 Months from date of allotment.
- (iii) Allotment of deb<sup>n</sup> : within 6 Months from date of allotment.
- (iv) Transfer / Transmission : within 1 Month of receipt of instrument of transfer or intimation of transmission.

(f) Transfer by legal representative : Sec. 56(5)

Transfer of any security or other interest of a deceased person in a company, made by his legal representative

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shall be valid

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as if he had been the holder of the shares at the time of execution of transfer.

## (9) Other Provisions:

(i) Penalty for default: If any default is made in complying with the provisions of Sec. 56(1) to 56(5), then the company and every officer in default shall be liable to a



penalty of ₹ 50,000 .

(ii) Transfer and transmission of Securities:

- to be learned from book -

(iii) Forged transfers:

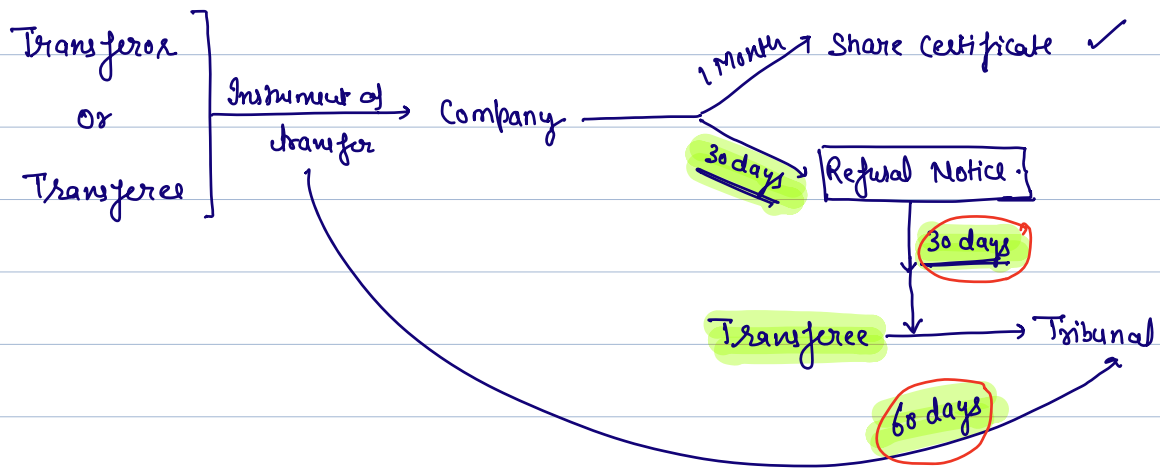
- to be learned from book →

(xi) Refusal to register the transfer and appeal against refusal (Sec. 58):

(a) Private Company: Sec. 58(1) and 58(3)

✓ Company shall send notice of refusal to transferor and transferee/ person giving intimation of transmission within 30 days from the date on which instrument of transfer/ intimation of transmission was delivered to the company.

✓ Transferee may appeal to Tribunal within 30 days of receipt of notice; Or in case no notice has been sent by the company, then appeal may be made within 60 days from the date on which the instrument of transfer or intimation of transmission was delivered to the company.



(b) Public Company: Sec. 58(2) and 58(4)

- ✓ Securities of a public company are freely transferable.
- ✓ If public company without sufficient cause refused to register the transfer of securities within 30 days from the date on which instrument of transfer or intimation of transmission was delivered to the company



Transferee may within 60 days from date of refusal or where no intimation received from the company, within 90 days of delivery of instrument of transfer or intimation of transmission, appeal to Tribunal.

(c) Powers of Tribunal: Sec. 58(5)

Tribunal, may after hearing the parties either dismiss the appeal or by Order (a) directing the company to register the transfer/transmission of securities within 10 days of receipt of order.

Or

(b) direct rectification of register

and

direct the Company to pay damages, if any, sustained by aggrieved party.

Note: If any person contravenes Order of Tribunal, he shall be punishable with imprisonment for a term (1 year to 3 years)

and

with fine (₹ 1 Lac to ₹ 5 Lac)

(xii) Sec. 57 and Sec. 59: - Heading from book -



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