



CIRCULAR

CIR/MRD/ICC/30/2013

26.09.2013

**The Managing Director/Executive Director,
All Stock Exchanges.**

Dear Madam/Sir,

Subject: Investor Grievance Redressal Mechanism

- 1) Reference may be made to CIR/MRD/DSA/03/2013 dated January 20, 2012, CIR/MRD/DSA/24/2010 dated August 11, 2010 and MRD/DoP/SE/Cir-38/2004 dated October 28, 2004.
- 2) With a view to streamline and make more effective the investor grievance redressal mechanism at Stock Exchanges, and consequent to discussions with Stock Exchanges and Depositories, it has been decided to shorten the time taken for the proceedings as well as to give monetary relief to the investors, during the course of pendency of proceedings. In this regard, Stock Exchanges are advised as under:
 - a) Stock Exchanges shall ensure that all complaints are resolved at their end within 15 days as mentioned in the circular no. CIR/MRD/ICC/16/2012 dated June 15, 2012. The correspondence with the Member & investor (who is client of a Member) may be done on email if the email id of the investor is available in the UCC database. The Member (Stock Broker, Trading Member and Clearing Member) shall provide a dedicated email id to the stock exchange for this purpose.

- b) In case the matter does not get resolved, conciliation process of the exchange would start immediately after the time lines stated in sub-para (a) above.
- c) Investor Grievance Redressal Committee (IGRC) shall be allowed a time of 15 days to amicably resolve the investor complaint.
- d) IGRC shall adopt a two-fold approach i.e. for proceedings leading to direction to the Member to render required service in case of service related complaints and proceedings leading to an order concluding admissibility of the complaint or otherwise in case of trade related complaints.
- e) In case the matter is not resolved through the conciliation process, IGRC would ascertain the claim value admissible to the investor.
- f) Upon conclusion of the proceedings of IGRC, i.e. in case claim is admissible to the investor, Stock Exchanges shall block the admissible claim value from the deposit of the Member.
- g) The Stock Exchange shall give a time of 7 days to the Member from the date of signing of IGRC directions as mentioned under sub-para (d) above to inform the Stock Exchange whether the Member intends to pursue the next level of resolution ie. Arbitration.
- h) In case, the Member does not opt for arbitration, the Stock Exchange shall, release the blocked amount to the investor after the aforementioned 7 days.
- i) In case, the Member opts for arbitration and the claim value admissible to the investor is not more than Rs. 10 lac, the following shall be undertaken by the Stock Exchange
 - i. 50% of the admissible claim value or Rs. 0.75 lac, whichever is less, shall be released to the investor from IPF of the Stock Exchange.
 - ii. In case the arbitration award is in favour of the investor and the Member opts for appellate arbitration then a positive difference of, 50% of the amount mentioned in the arbitration award or Rs. 1.5 lac, whichever is less and the amount already released to the investor at clause (i) above, shall be released to the investor from IPF of the Stock Exchange.
 - iii. In case the appellate arbitration award is in favour of the investor and the Member opts for making an application under section 34 of the Arbitration and Conciliation Act, 1996 to set aside the appellate

arbitration award, then a positive difference of 75% of the amount determined in the appellate arbitration award or Rs. 2 lac, whichever is less and the amount already released to the investor at clause (i) and (ii) above, shall be released to the investor from IPF of the Stock Exchange.

- iv. Before release of the said amounts from the IPF to the investor, the Stock Exchange shall obtain appropriate undertaking/ indemnity from the investor against the release of the amount from IPF, to ensure return of the amount so released to the investor, in case the proceedings are decided against the investor.
- v. If it is observed that there is an attempt by investor/client either individually or through collusion with Member(s) or with any other stakeholders, to misuse the provision of this Circular, then without prejudice to the powers of the Board to take action, appropriate action in this regard shall be taken against any such person, by the Stock Exchange, including disqualification of the person so involved from henceforth accessing the benefits of this Circular.
- vi. In case the complaint is decided in favour of the investor after conclusion of the proceedings, then amount released to the investor shall be returned to IPF from the blocked amount of the Member by the Stock Exchange and the rest shall be paid to the investor.
- vii. Total amount released to the investor through the facility of monetary relief from IPF in terms of this Circular shall not exceed Rs. 5 lac in one financial year.
- viii. Stock Exchanges may devise a detailed procedure with regard to release of funds from IPF and recovery thereof and necessary formats of documentation.
- ix. In case the investor loses at any stage of the proceedings and decides not to pursue further, then the investor shall refund the amount released from IPF, back to the IPF. In case the investor fails to make good the amount released out of IPF then investor (based on PAN of the investor) shall not be allowed to trade on any of the Stock Exchanges till such time the investor refunds the amount to IPF. Further, the securities lying in the demat account(s)

of the investor shall be frozen till such time as the investor refunds the amount to the IPF.

- x. The Stock Exchanges may also resort to displaying the names of such investors on their websites if considered necessary.

3) With a view to rationalise the timelines involved in the arbitration mechanism, Stock Exchanges are advised as under:

- a) As per clause 6.2 of circular no. CIR/MRD/DSA/24/2010 dated August 11, 2010 the Members are required to file application for appellate arbitration within one month of the date of receipt of arbitral award. Further as per section 34 (3) of the Arbitration and Conciliation Act, 1996 the Members have three months to make an application to set aside an arbitral award. In this regard, the Members shall convey their intention to Stock Exchanges within 7 days of receipt of the award, as regards whether such Members desire to challenge the arbitration award/appellate arbitration award in Court or not.
- b) If the Members do not express their intent to challenge the arbitration award/appellate arbitration award then it would be presumed that Members does not intend to challenge the award and the Stock Exchange shall take further steps accordingly.

In addition to the above, the stock exchanges shall also take the below mentioned steps:

- 4) With a view to address complaints regarding 'unauthorised trades' Stock Exchanges are advised to direct the Members to put in place the following:
 - a) In case the Member has made margin calls to the client and the client has failed to comply with these margin calls, then the contract note issued by Member for transactions owing to non-compliance of such margin calls would bear a remark specifying the same.
 - b) The Member shall maintain a verifiable record of having made such margin calls and that the clients have not complied with the same.

- 5) With a view to assist investors engaged in dispute resolution process, Stock Exchanges shall set up facilitation desks at all investor service centres as specified by SEBI from time to time. These facilitation desks would *interalia* also assist investors in obtaining documents/details from Stock Exchanges wherever so required for making application to IGRC and filing arbitration.
- 6) The stock exchanges are advised to:-
 - a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately;
 - b) bring the provisions of this circular to the notice of the members of the stock exchange and also to disseminate the same through their website; and
 - c) take steps to make the investors aware of the scheme.
 - d) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Reports to SEBI.
- 7) This Circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 9(2)(n) and Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect immediately.
- 8) This Circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

B K Gupta

Deputy General Manager

022-26449218

bhartendrakg@sebi.gov.in

Copy to: All SEBI recognized Investor Associations