

Guidance to general public about effective ways to redress their grievances

What are the types of complaints handled by SEBI?

Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made there under and provisions that are covered under Section 55A of Companies Act, 1956 are handled by SEBI.

Entities against which complaints are handled by SEBI:

- Listed companies
- Stock Brokers/Sub-brokers
- Stock Exchanges
- Depository
- Depository Participants
- Registrars to an Issue / Share Transfer Agent
- Mutual Funds
- Portfolio Managers
- Bankers to an Issue
- Collective Investment Schemes
- Credit Rating Agencies
- Custodians of Securities
- Debenture Trustees
- Merchant Bankers
- Underwriters
- Alternative Investment Funds
- KYC registration Agencies.

SEBI also has a separate department to look into market irregularities. If any irregularities are found in trading in shares or manipulation in price or violation of Insider trading regulations, the same can be reported to SEBI.

Which are the matters that are not considered as complaints by SEBI?

- Complaints that are incomplete or not specific
- Allegations without supporting documents
- Offering suggestions or seeking guidance/explanation
- Seeking explanation for non-trading of shares or illiquidity of shares
- Not satisfied with trading price of the shares of the companies
- Non-listing of shares of private offer
- Disputes arising out of private agreement with companies/intermediaries

What type of complaints are not handled by SEBI?

- Complaints against unlisted/delisted/wound up/liquidated/sick companies.
- Complaints that are sub-judice (relating to cases which are under consideration by court of law, quasi-judicial proceedings etc.)
- Complaints falling under the purview of other regulatory bodies viz. RBI, IRDA, PFRDA, CCI, FMC, etc., or under the purview of other ministries viz., MCA, etc.

How investor complaints are handled in SEBI?

SEBI has a dedicated department viz., Office of Investor Assistance and Education (OIAE) to receive investor grievances and to provide assistance to investors by way of education and complaints are handled by all operational departments pertaining to their areas. Investors who are not satisfied with the response to their grievances received from the Stock Exchanges/Depositories can lodge their grievances with SEBI. Grievances pertaining to stock brokers and depository participants are taken up with respective stock exchange and depository for redressal and monitored by SEBI through periodic reports obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by SEBI. Grievances against listed company are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the response of the company is insufficient / inadequate, follow up action is initiated. If the progress of redressal of investor grievances by an entity, is not satisfactory, appropriate enforcement actions (adjudication, direction, prosecution etc.) are initiated against such entity

What are the limitations in dealing with the complaint?

Sometimes a complaint is successfully resolved and the entity is advised to send reply to complainant. But in certain cases, the entity or company denies wrongdoing, and it remains unclear as to who is wrong or whether any wrongdoing occurred at all. If this happens, SEBI cannot act as a judge or an arbitrator and force the entity or company to resolve the complaint. Further, SEBI cannot act as personal representative or attorney of the complainant. Securities laws and other laws provide important legal rights and remedies if an investor has suffered wrongdoing. On their own, investors can also seek to resolve their complaint through the courts, consumer courts, or arbitration.

Investor Grievance Redressal facility at Stock Exchanges/Depositories

Investors who are not satisfied with the response to their grievances received from the brokers/Depository Participants/listed companies, can lodge their grievances with the Stock Exchanges or Depositories. The grievance can be lodged at any of the offices of the BSE/NSE located at Chennai, Mumbai, Kolkata and New Delhi. In case of unsatisfactory redressal, the exchanges have designated Investor Grievance Redressal Committees (IGRCs), or Regional Investor Complaints Resolution Committees (RICRC), This forum acts as a mediator to resolve the claims, disputes and differences between entities and complainants. Stock Exchanges provide a standard format to the complainant for referring the matter to IGRC. The committee calls for the parties and acts as a nodal point to resolve the grievances. For any detailed information please visit the website of the respective stock exchange.

In case the investor is not satisfied with the conciliation done by IGRC, he/ she can go for arbitration and file arbitration under the Rules, Bye – laws and Regulations of the respective Stock Exchange/Depository.

When can a case be referred for arbitration?

If the grievance is not resolved by the Stock Exchange/Depository due to disputes, an investor can file arbitration subject to the Bye-laws, Rules and Regulations of the exchange / Depository. All claims, differences or disputes between the investors and stock brokers/depository participants can be filed for arbitration. To obtain information about when and how to file an arbitration claim, investors may visit the websites of the Stock Exchanges or the Depositories.

Simplified arbitration can be a less costly alternative to legal recourse before the courts of law. If the investor has an account with the broker or a depository participant (DP), he/she can choose arbitration to settle disputes. The investor generally cannot pursue an issue through arbitration if it is barred by limitation prescribed. When deciding whether to arbitrate, the investor has to bear in mind that if the broker or DP goes out of business or declares bankruptcy, he/she might not be able to recover money even if the arbitrator or court rules in his/her favor. However, with certain restriction to the nature of transactions, Stock Exchanges may settle on case to case basis the claim of an investor up to a limit prescribed in the "Investor protection fund" guidelines of the respective Stock Exchange.

The claimant is required to carefully review the rules governing simplified arbitration before filing a claim and should also weigh the costs of arbitrating against the likelihood of being able to collect any award in favor. An investor, who has a claim / counter claim up to `10 lakh against a broker and files arbitration reference for the same, need not make any deposit for filing arbitration.

Arbitration process at Stock Exchanges :

The arbitration process at Stock Exchanges is given below:

- Applicant submits arbitration application to Exchange
- Application is verified and sent to Respondent
- Arbitrator appointed and documents forwarded to arbitrator
- Hearings held by arbitrator
- Arbitrator passes award
- Award debited if in favor of constituent
- Appeal filed by aggrieved party
- Hearings held and appeal award passed
- Petition filed u/s 34 of the Indian Arbitration Act in Court

If the applicant is not satisfied with award passed by arbitration panel, he can go for appeal against the award to Appellate mechanism in the exchange itself.

Arbitration mechanism made simpler

Based on inputs received from investors regarding functioning of the arbitration mechanism at the Stock Exchanges, the following changes have been made to the arbitration mechanism by SEBI.

SI No	Features	Earlier policy	Present policy
1	Composition of Arbitration panel	40% of the members of the exchange on the Arbitration Committee and the balance 60% shall be nominated from the persons other than members of the stock exchanges with the prior approval of the Stock Exchange Board.	<ul style="list-style-type: none"> • Arbitration committees/councils/panels shall consist of persons other than members of the stock exchange who shall be nominated with prior approval of the Stock Exchange Board.
2.	Selection of arbitrators	Selection of Arbitrators by Stock Exchanges	<ul style="list-style-type: none"> • List of Arbitrators on the panel of all stock exchanges having nation-wide trading terminals shall be pooled and will be called a 'Common Pool'. This list shall be made publicly available including by way of display on websites of the stock exchanges. • 'Common pool' of Arbitrators will consist of Arbitrators listed on the panels of all stock exchanges having nation-wide trading terminals. The pooling of arbitrators will be done centre-wise. To illustrate, the list of arbitrators on the panel of all stock exchanges for the region covered by the Delhi centre will be pooled. This would enable an applicant from the region to choose any arbitrator from the 'Common Pool' for Delhi. • If the client and member (stock broker, trading member or clearing member) fail to choose the Arbitrator(s) from the Common Pool, the Arbitrator(s) will be chosen by an 'Automatic Process' wherein neither the parties to arbitration (i.e. client or member) nor the concerned Stock Exchanges will be directly involved. • The 'Automatic Process' will entail a randomized, computer generated selection of Arbitrator, from the list of Arbitrators in the 'Common Pool'. • The selection process shall be in chronological order of the receipt of arbitration reference i.e. only after selecting an arbitrator for the former arbitration reference received, selection for the latter shall be taken up. • The 'Automatic Process' will send a

			<p>system generated, real time alert (sms, email etc.) to all entities involved in the particular case. Further, the communication for the appointment of the Arbitrator will be sent immediately and in any case not later than the next working day from the day of picking of the Arbitrator. This communication will be sent by the stock exchange on which the dispute had taken place, to all concerned entities including clients, arbitrators, members, stock exchanges etc.</p> <ul style="list-style-type: none"> • The selection of Arbitrators by Stock Exchanges as done currently, shall henceforth be replaced by the 'Automatic Process'. • In case of any probable conflict of interest in an arbitration reference being assigned to any Arbitrator the Arbitrator will have to upfront decline the arbitration reference. • After the said arbitrator declines, the 'automatic process' will pick the name of another Arbitrator. This will continue till the time there is no conflict of interest, by the selected arbitrator. In this regard, the timelines of 30 days might get extended. However, SEs shall put on record the reasons of such extension. • In case of conflict of interest by the arbitrator, the information for the same may reach the stock exchange on which the dispute has taken place within 15 days of receipt of communication from the SE above. The said information may be sent by any method which ensures proof of delivery.
3.	Investor Service Centres	Delhi, Mumbai, Kolkata and Chennai	<ul style="list-style-type: none"> • Additionally made available at Ahmedabad, Hyderabad, Kanpur and Indore. • Being made available at Bangalore, Pune, Jaipur and Gaziabad by December 31, 2013. • Being made available at Lucknow, Gurgaon, Patna and Vadodara by June 30, 2014. • Arbitration and appellate arbitration shall be conducted at the centre nearest to the address provided by

			Client in the KYC form.
4.	Fees for filing arbitration	A client, who has a claim / counter claim upto Rs. 10 lakh and files arbitration reference for the same within six months, shall be exempt from the deposit.	<ul style="list-style-type: none"> • A client, who has claim / counter claim upto Rs. 10 lakh and files arbitration reference, shall be exempt from the deposit. Expenses thus arising with regard to such applications shall be borne by the Stock Exchanges."
5.	Fees for filing appeal.	A party filing an appeal before the appellate panel shall pay a fee not exceeding Rs. 30,000, as may be prescribed by the stock exchange, in addition to statutory dues (stamp duty, service tax, etc) along with the appeal."	<ul style="list-style-type: none"> • A party filing an appeal before the appellate panel shall pay a fee not exceeding Rs. 30,000, as may be prescribed by the stock exchange, in addition to statutory dues (stamp duty, service tax, etc) along with the appeal. • In case the party filing the appeal is a client having claim/counterclaim of upto Rs. 10 lakh, then the party shall pay a fee not exceeding Rs. 10,000/- . Further expenses thus arising shall be borne by the Stock Exchanges and the Investor Protection Fund of Stock Exchanges equally.
6.	Timelines for arbitration and reconciliation and Credit of claims pending appeal	No set timelines	<ul style="list-style-type: none"> • 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. • In case the matter does not get resolved, conciliation process of the exchange would start immediately after the time lines stated above. • Investor Grievance Redressal Committee (IGRC) shall be allowed a time of 15 days to amicably resolve the investor complaint. • 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

			<p>leading to an order concluding admissibility of the complaint or otherwise in case of trade related complaints.</p> <ul style="list-style-type: none">• In case the matter is not resolved through the conciliation process, IGRC would ascertain the claim value admissible to the investor.• 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.• The Stock Exchange shall give a time of 7 days to the Member from the date 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.• 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.• 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<ul style="list-style-type: none">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
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			<p>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.</p> <p>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.</p> <p>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 provisions then appropriate action in this regard shall be taken against any such person, by the Stock Exchange, including disqualification of the person so involved.</p> <p>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.</p> <p>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.</p> <p>viii) Stock Exchanges may devise a detailed procedure with regard to release of funds from IPF and recovery thereof and necessary formats of documentation.</p> <p>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</p>
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			<p>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.</p> <p>x). The Stock Exchanges may also resort to displaying the names of such investors on their websites if considered necessary.</p>
7.	Provision to Appeal in Courts of law.	Appeal against the decision of appellate panel can be filed in the court at the centre of arbitration only.	<ul style="list-style-type: none"> • Appeal against the decision of the appellate panel shall be filed in the competent Court nearest to the address provided by Client in the KYC form.
6.	Facilitation desks would inter-alia also assist investors in obtaining documents/details from Stock Exchanges wherever so required for making application to IGRC and filing arbitration.	Not available	<ul style="list-style-type: none"> • Mandated at all Stock Exchanges having nation wide terminals.

When can SEBI take action for non resolution of the complaint?

SEBI follows up with companies who do not redress investor's grievances by sending reminders to them, having meetings with them and issuing pre-enforcement letters for pending complaints. While the entity is directly responsible for redressal of the complaint, SEBI initiates action against recalcitrant entities on the grounds of their unsatisfactory redressal of large number of investor complaints as a whole. Enforcement actions as provided under the Securities laws (including launch of Adjudication, Prosecution proceedings, Directions u/s 11B of SEBI Act, 1992) are initiated against the companies and/or its directors whose progress in redressal of investors' grievances is not satisfactory

Situation/s where SEBI has closed a complaint after due consideration but complainant keeps repeating it.

Sometimes a complaint is addressed and disposed off by SEBI advising the complainants to adopt appropriate course of action but the complainants have been

writing to SEBI repeatedly without choosing to avail of the appropriate legal remedy from the competent forum.

For e.g. A complainant raises the issue of incorrect information provided by broker regarding his exposure limits and squaring off positions without his consent. The broker replies that as there was a debit in client's account and due to unavailability of funds, his positions were squared up. The complainant is advised to approach Stock Exchanges' Investor Grievance Resolution Panel/Committee as the matter is that of a dispute. The complainant refuses to approach/attend meetings and continues to send frequent mails to various levels in SEBI. In such cases, SEBI will not respond to any such mail/letter etc.
