

Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism

1. Objective:

1.1. The objective of this memorandum is to seek approval of the Board to strengthen the existing investor grievance handling mechanism through SCORES by making the entire redressal process of grievances in the securities market comprehensive by providing a solution that makes the process more efficient by reducing timelines and by introducing auto-routing and auto-escalation of complaint. The proposal also provides for two levels of review that an investor can opt for, in addition to the option for referral to the Online Dispute Resolution mechanism recently approved by the Board.

1.2. The memorandum also seeks the approval of the Board for excluding from SCORES, complaints under certain categories which require SEBI to examine/ investigate the matter holistically thereby creating a separate portal for Market Intelligence inputs.

2. Background:

2.1. SEBI launched a centralized web based complaints redressal system (SCORES) in June, 2011 to enable investors to lodge and monitor their complaints and track the status of such complaints. Currently, the process of handling of investor complaints pertaining to securities markets through SCORES is as follows:

2.1.1. Investors are mandated to take up their grievance with the concerned entity before lodging complaint on SCORES. Investor may also use SCORES to submit their grievance directly to the listed companies / intermediaries / MIs for resolution. If investor is not satisfied with the resolution provided by entity or entity has not

submitted any Action Taken Report within 30 days, the complaint is escalated to SEBI and handled by a SEBI Dealing Officer (DO).

- 2.1.2. If the complainant has already taken up his complaint with the entity and is still dissatisfied with the resolution, he/she may lodge a complaint on SCORES. DO of SEBI forwards the complaint to the concerned entity for resolution. The entity is required to submit the ATR within 30 days as per master circular SEBI/HO/OIAE/IGRD/P/CIR/2022 dated November 07, 2022.
 - 2.1.3. Upon receipt of ATR, the DO will peruse the ATR and if satisfied shall close the complaint with reasoned closure remarks. If DO is not satisfied, he may seek clarification from entity and/or investor. A complaint shall be treated as resolved/disposed/closed only when SEBI disposes/closes the complaint on SCORES.
 - 2.1.4. Once the complaint is disposed of, the investor has an option to opt for a review within 15 days, if he/she is not satisfied with the disposal of complaint. The review complaint is handled by the Division Chief of the concerned DO who disposed of the normal complaint. These complaints are termed as “Review complaints”.
- 2.2. The need for a revamp in the complaint handling process through SCORES was the culmination of many factors, including those listed below:
- 2.2.1. The conditions of registration as intermediaries/ listing for companies mandate the intermediaries/ listed companies to redress the investor grievances in a time bound manner.
 - 2.2.2. Investor Charter (mission-vision statement and registered entity wise charters) issued by SEBI with an objective inter-alia for investors to get services in a timely and efficient manner, including redressal of their grievances.

2.2.3. Proposal to introduce Online Dispute Resolution (ODR) mechanism and extension of the same to all the registered intermediaries in the securities market has been approved by SEBI board in its meeting held on March 29, 2023. An Online Dispute Resolution platform is being developed for investors to access the ODR mechanism.

2.2.4. Investors will therefore have two complementary avenues to approach for redressal of their grievance:

2.2.4.1. SCORES platform: The scope of investor grievances through SCORES is constrained by the fact that SEBI is not empowered to adjudicate on third party rights, or grant specific relief or compensation.

2.2.4.2. Online Dispute Resolution platform: The scope of investor grievances through ODR is wide as arbitrator involved in the process can adjudicate between the parties and pass award. It also gives the parties an opportunity to arrive at an amicable settlement.

2.2.5. Issues with the current complaint handling process.

3. Issues with the current complaint handling process:

3.1. SEBI is not empowered to adjudicate on third party rights or grant specific relief or compensation to aggrieved investor.

3.2. This has been excised for reasons of confidentiality.

3.3. SEBI looks at the redressal provided by the entity and disposes the complaint with reasoned remarks. Due to the same, the impression that has been created is that the onus to resolve grievances is on SEBI. However, it is to be noted that onus of redressing the grievances is squarely the responsibility of concerned entities as the principal relationship of the investor is with entity directly. It would not be appropriate for every

investor grievance and/or market intelligence input to become the subject matter of adjudication and appeal in Hon'ble SAT.

- 3.4. Further, the listing obligations/ conditions of registration for listed companies and registered intermediaries; investor charters puts the onus to redress the investor grievances on concerned regulated entities. SEBI continues to re-inforce the same.
- 3.5. Therefore, vide circular dated March 26, 2018, Investors have been mandated to take up their grievance with the concerned entity before approaching SCORES. A confirmation of the same is taken from investors through self-declaration by investors when they lodge complaint on SCORES. A study was carried out on a sample basis to ascertain whether the investors are actually approaching entities first before self-declaring. It has been observed that approximately 42% of the investors who have self-declared that they have approached entity first, have actually approached SCORES directly.
- 3.6. It has been observed based on study of complaints handled by SEBI during last 3 financial years, SEBI has sought clarification in approximately 14 percent of ATRs received from entities. Therefore, 86% of ATRs of entities/Exchanges/Depositories are directly being communicated to the investors without need for SEBI to intervene.
- 3.7. Further, Investors are broadly satisfied with the ATRs of entities as investors preferred review against closure of complaints in 5% of cases only.
- 3.8. Complaints/references pertaining to Market Price Manipulation, Price/ Volume Manipulation in Equity, Derivatives, Commodity Derivatives, Insider Trading, Accounting Manipulation by Listed Companies etc. are being auto-closed on SCORES by citing them as market intelligence inputs as it requires SEBI to examine/ investigate if there is any violation of SEBI's regulation. These complaints cannot be treated as investor grievances as they require examination/investigation. Further, providing any status in these complaints could be price-sensitive and have a market impact. In this regard, Hon'ble SAT has opined that the computer generated communication by SEBI on the SCORES

platform in case of market intelligence complaints which are auto-closed is also an order and hence, appealable under section 15 T.

4. **Public consultation:**

4.1. A consultation paper dated May 19, 2023, was published on the SEBI website, inviting comments on the following proposals:

4.1.1. Redesign SCORES as a platform for the investors to seek timely redressal of their grievances from entities directly and for the investors who are dissatisfied with the redressal provided by entities, an opportunity for two levels of review be given even before option to opt for the ODR mechanism. The proposed SCORES work flow is detailed in **Annexure I**. The suggestions include, inter-alia:

4.1.1.1. The complaints lodged on SCORES will be automatically forwarded to the concerned entity with a copy marked to MIIIs or designated body such as X (name has been changed for reasons of confidentiality) through SCORES.

4.1.1.2. Entities are mandated to resolve the grievance and upload the Action Taken Report (ATR) on SCORES within 21 days of receipt of complaint. Designated body is supposed to monitor timely submission of ATR by entities. The ATR of the entity will be automatically routed to the complainant. Intimation in this regard will be sent through SMS, e-mail and WhatsApp message.

4.1.1.3. If the complainant is not satisfied with the ATR, and indicates the same within 15 days (or) the Entity has not submitted the ATR within 21 days, the complaint will be taken up by the designated body for first review automatically. The designated body will take up the grievance and submit the ATR to the complainant through SCORES within 10 days of receipt of review complaint.

4.1.1.4. If the complainant is still not satisfied with the ATR submitted at 1st review stage, and indicate the same within 15 days (or) the designated body has not

submitted the ATR within 10 days, the complaint will be taken up for SEBI review automatically. SEBI will take up the complaint with entity or designated body to submit ATR to SEBI within 15 days. SEBI will examine and dispose of the complaint with reasoned remarks.

4.1.1.5. In cases where investors raise disputes which requires SEBI to adjudicate on the matter or where they are not satisfied with disposal on SCORES, such complaints will be disposed with an advice to seek appropriate remedies through the Alternate Dispute Resolution mechanism approved by SEBI i.e. Online Dispute Resolution mechanism or approach legal forums including civil courts, consumer courts etc.

4.1.2. A separate portal for collection of market intelligence to distinguish between investor grievances and intelligence inputs.

4.2. Comments were received from 18 entities viz. MIs, financial institutions and listed companies. The public comments were broadly in agreement with the proposals mentioned in the consultation paper and were broadly in the nature of seeking clarification and providing suggestions.

4.3. A table containing the proposals and a summary of the public comments is enclosed herewith (**Annexure - II**).

4.4. The following are the broad recommendations after incorporating the public comments received:

4.4.1. The complaints lodged on SCORES will be automatically forwarded to the concerned entity through SCORES for resolution and submission of ATR. The complaint, will also be simultaneously forwarded to MIs, designated body like X (name has been changed for reasons of confidentiality) to monitor timely submission of ATR by the concerned entities. Further, reminder alerts will also be sent directly through system for timely submission of ATR.

- 4.4.2. Entities will be required to resolve the grievance and upload the ATR on SCORES within 21 days of receipt of complaint. The ATR of the entity will be automatically routed to the complainant.
- 4.4.3. An e-mail, SMS message and WhatsApp message communication will be sent to the complainant about the submission of ATR by the entity.
- 4.4.3.1. The complaint will be kept pending for 15 days awaiting revert from the complainant. This will provide a full opportunity for investors to make their case after receipt of reply to grievance from the entity. An option to provide his satisfaction/approval to the ATR will also be provided in the new system after which the complaint will be closed.
- 4.4.3.2. The complaint would be closed, if there is no request for review/response/approval from the complainant within 15 days. Under exceptional circumstances, for instance on serious health grounds or any exceptional situations etc. delay may be condoned and review of the complaint will be accepted beyond 15 days.
- 4.4.3.3. The complainant in the event of his being dissatisfied has to give reasons for not being satisfied with the ATR and provide clear reasons for review.
- 4.4.4. If the complainant is not satisfied with the ATR, and indicates the same within 15 days (or) the Entity has not submitted the ATR within the initial 21 days, the complaint will be automatically taken up by the designated body concerned for first review. The designated body would then take up the grievance with the concerned entity again and submit the ATR to the complainant through SCORES within 10 days of receipt of review complaint. Further, reminder alerts will also be sent directly through system for timely submission of ATR.

4.4.5. An e-mail, SMS message and WhatsApp message communication will be sent to the complainant about the submission of ATR by the designated body to the review complaint.

4.4.5.1. The first review complaint will be kept pending for 15 days on SCORES platform awaiting revert from the complainant. This will provide a full opportunity for investors to make their case after receipt of reply to grievance from the designated bodies. An option to provide his satisfaction/approval to the ATR will also be provided in the new system after which the complaint will be closed.

4.4.5.2. The complaint would be closed, if there is no request for review/response/approval from the complainant within 15 days. Under exceptional circumstances, for instance on serious health grounds or any exceptional situations etc. delay may be condoned and review of the complaint will be accepted beyond 15 days

4.4.5.3. The complainant in the event of his being dissatisfied has to give reasons for not being satisfied with the ATR and provide clear reasons for review.

4.4.6. If the complainant is not satisfied with the ATR submitted at 1st review stage, and indicates the same within 15 days (or) the designated body has not submitted the ATR within 10 days, the complaint will be taken up for SEBI review automatically. While reviewing the complaint SEBI will take up the grievance with the designated body or entity to resolve the matter. The designated body or entity has to submit ATR to SEBI within 15 days. Based on the same SEBI would dispose of the complaint with reasoned remarks.

4.4.7. The scope of the SEBI review will be within the powers conferred upon SEBI. SEBI will handle the review complaints in which complainants seek personal remedy from entities. In cases where investors raise issues which requires SEBI to adjudicate on the matter or if investors are not satisfied with disposal on SCORES

post SEBI review, they would be given an option to seek appropriate remedies through the Online Dispute Resolution mechanism approved by SEBI through MIs. In addition, they would always have the option to approach legal forums including civil courts, consumer courts etc. Also, the option of approaching the above shall always be available with the investor at any point of time. All the process on SCORES platform is free of cost for the investor.

4.4.8. A new portal for collection of market intelligence references for the following categories of complaints will be created:

- i. Insider Trading
- ii. Price/Market Manipulation
- iii. Accounting Manipulation by Listed Companies
- iv. Price/Volume Manipulation in Commodity Future and Options
- v. Spreading Rumors / Buy Sell Tips
- vi. Miscellaneous Surveillance Issues
- vii. Minimum Public Shareholding
- viii. Corporate Governance
- ix. Other matters as may be notified by the Board from time to time.

5. Proposal:

5.1. In view of the above, the Board is requested to consider and approve the proposals as contained in point 4.4 above of the Memorandum and authorize the Chairperson to make consequential and incidental changes and take necessary steps to give effect to the decisions of the Board.

5.1.1. New SCORES work flow as detailed at point 4.4 above of the Memorandum

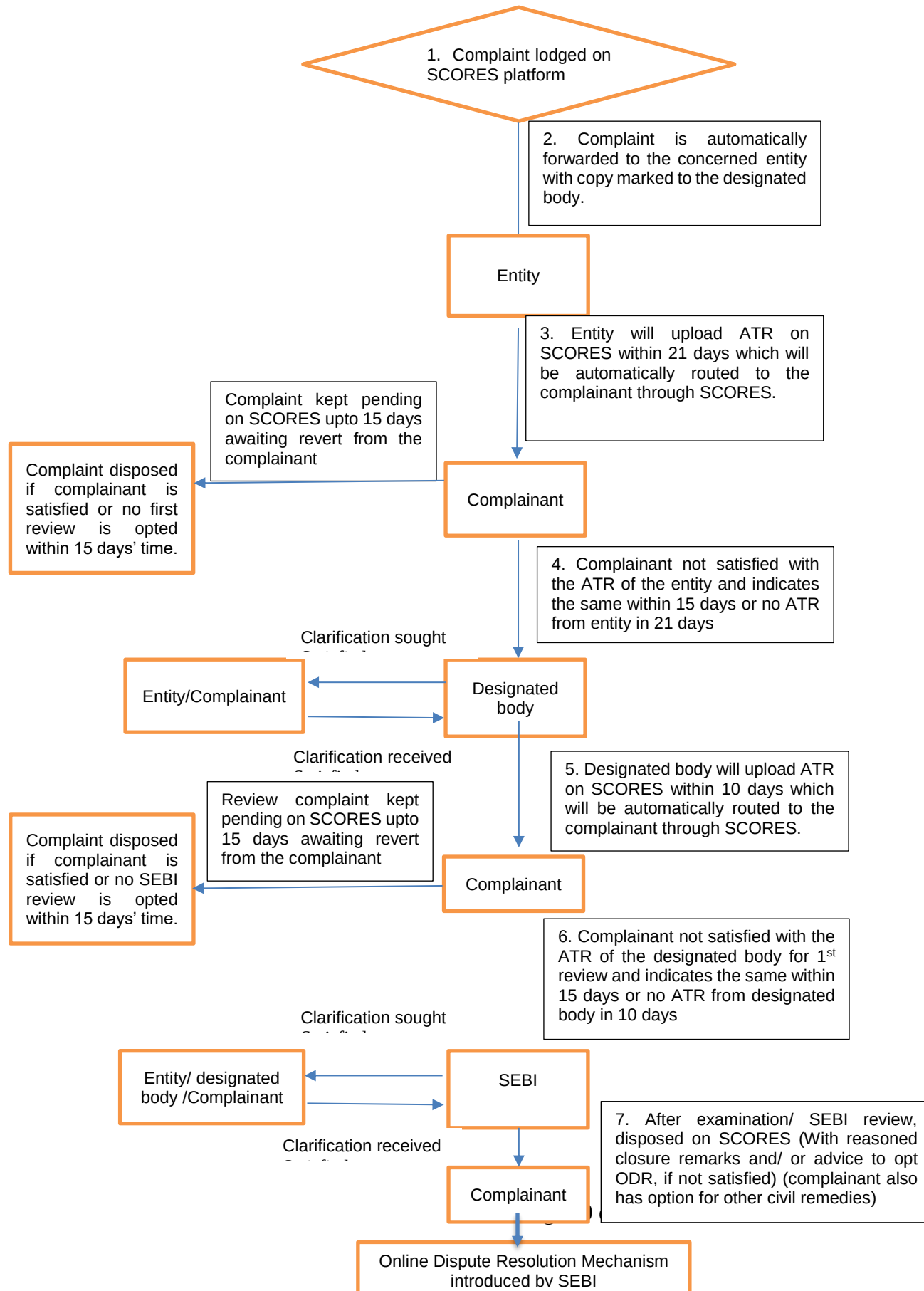
5.1.2. The clauses given below may be incorporated in the regulations pertaining to Listed Companies/ Registered Intermediaries/MIs to recognize the designated bodies for the purpose of handling complaints and bringing in uniformity in handling complaints respectively:

This has been excised.

5.1.3. The draft notification for amendments to the regulations is placed at Annexure 3.

Proposed flow chart

Annex 1



Annex 2

This has been excised for reasons of confidentiality.

Amendment shall be notified after following the due process