

CONSULTATION PAPER ON STRENGTHENING OF INVESTOR GRIEVANCE HANDLING MECHANISM THROUGH SCORES AND LINKING TO THE ONLINE DISPUTE RESOLUTION MECHANISM APPROVED BY SEBI

1. **Objective:** The consultation paper seeks to solicit public comments on the proposal to strengthen the investor grievance handling mechanism through SEBI Complaint Redressal System (SCORES) and link the same with the online dispute resolution (ODR) mechanism which was recently approved by SEBI.

This proposal is aimed at making the entire redressal process of grievances in the securities market comprehensive by providing an end to end solution and making the process more efficient and faster by reducing timelines and introduction of auto-routing and auto-escalation. The proposal also provides for two levels of review that the investor can opt for, plus option for referral to the Online Dispute Resolution mechanism recently approved by SEBI.

2. **Background:** SEBI launched a centralized web based complaints redress system (SCORES) in June, 2011 to enable investors to lodge and follow up their complaints and track the status of redressal of such complaints. This also enabled the regulated entities to receive complaints from investors against them, redress such complaints and report redressal through filing of Action Taken Reports on SCORES.

- 2.1. The salient features of SCORES system are:

- a. Centralised database of all complaints,
- b. Online movement of complaints to the concerned entities,
- c. Online upload of Action Taken Reports (ATRs) by the concerned entities,
- d. Online viewing by investors of actions taken on the complaint and its current status,
- e. The entity concerned and the concerned investor can seek and provide clarification(s) online with each other;
- f. The life cycle of a complaint has an audit trail; and
- g. All the complaints are saved in a central database which would generate relevant MIS reports to enable SEBI to take appropriate policy decisions and/or remedial actions.

- 2.2. The framework of SCORES has evolved overtime with an objective to promote speedy and efficient redressal of investor complaints in pursuit of the larger objective of investor protection. Accordingly, the following was incorporated by SEBI through various circulars:

- 2.2.1. SEBI vide circular dated December 18, 2014 has stated that *the purpose of SCORES is to provide a platform for aggrieved investors, whose grievances, pertaining to securities market, remain unresolved by the concerned listed company or registered intermediary after a direct approach. SCORES also provides a platform, overseen by SEBI through which the investors can approach the concerned listed company or SEBI registered intermediary in an endeavour towards speedy redressal of grievances of investors in the securities market. It would, however, be advisable that investors may initially*

take up their grievances for redressal with the concerned listed company or registered intermediary, who are required to have designated persons/officials for handling issues relating to compliance and redressal of investor grievances.

- 2.2.2. The 2014 circular further provided that even “*If the concerned listed entity or the SEBI registered intermediary takes an action on the basis of the complaint made by the investor and files the Action Taken Report (ATR) as per the provisions of the circular, a complaint is marked as resolve/disposed/closed only when SEBI disposes/closes the complaint in SCORES. Mere filing of ATR by a listed company or SEBI registered intermediary with respect to a complaint will not mean that the complaint is not pending against them*”
- 2.2.3. SEBI has received inputs from entities that investor grievances can be resolved faster if the grievance been taken up directly with the entity at the first instance. Accordingly, vide circular dated March 26, 2018, the investors were mandated to approach the concerned entity first with all the requisite details to redress the complaints. In case, the entities fail to redress the complaint to the investor’s satisfaction, the investor may file a complaint in SCORES.
- 2.2.4. The above said circular dated March 26, 2018 has also facilitated the investors to use SCORES to submit the grievance directly to entities and the complaint shall be forwarded to the entity for resolution without involvement of SEBI. Such complaints are called ‘Direct Complaints’. The entity is required to redress the grievance and submit an Action Taken Report within 30 days, failing which the complaint will be taken up by SEBI automatically. In case, entity has submitted an ATR within 30 days and investor has indicated that he is not satisfied within 15 days, the complaint will be taken up by SEBI.
- 2.2.5. To enhance investor satisfaction on complaint redressal, SEBI has put in place a ‘Complaint Review facility’ under SCORES wherein an investor if unsatisfied with the redressal may within 15 days from the date of closure of his complaint in SCORES opt for review of the complaint and the complaint shall be escalated to the appropriate Supervising Officer.
- 2.2.6. The current flow of complaints through SCORES at various levels is summarized and placed at **Annexure 1**.

3. **Points under consideration:**

- 3.1. **Conditions of Registration/Listing Obligations:** The conditions of registration as intermediaries/ listing for companies mandate the intermediaries/ listed companies to redress the investor grievances in a time bound manner.
- 3.1.1. In this context relevant conditions of registration for stock brokers is given below for reference: (Section 9 (e) Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 [Last amended on February 07, 2023]):

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,

(e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;

3.1.2. Similar condition of registration is applicable to other intermediaries in the securities market.

3.1.3. Similarly, for listed companies, reference is drawn to Regulation 13 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on July 25, 2022]

(1) The listed entity shall ensure that adequate steps are taken for expeditious redressal of investor complaints.

(2) The listed entity shall ensure that it is registered on the SCORES platform or such other electronic platform or system of the Board as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by the Board

3.2. **Investor Charter:** Investor Charter (mission-vision statement and registered entity wise charters) has been issued by SEBI with an objective inter-alia to get services in a timely and efficient manner. According to Investor Charter, investors have right to

- a. *Expect redressal of investor grievances filed in SCORES in a time bound manner.*
- b. *Get quality services from SEBI recognised Market Infrastructure Institutions and SEBI registered intermediaries / regulated entities/ Asset Management Companies.*

3.2.1. The registered entity wise charters issued by SEBI details the procedure for taking up their grievances with the concerned entities. As mandated in the investor charters, the entities have to redress the investor grievances in a time bound manner. An example is given below:

Investor charter for Registrar and Share Transfer Agents:

Mission: *To facilitate easy approach, communication and interface with investors so as to resolve their queries / grievances*

Services provided by RTA to investors: *Process grievance received through mails and Letters and those through SCORES also.*

3.2.2. SEBI has directed that the investor charters be disclosed on the website of listed entities, registered intermediaries and recognized MIIs so that investors are aware about their rights and responsibilities and the Dos and Don'ts. All MIIs were advised to have the following links on the home page of their website/Mobile app.

- a. Link/option to lodge complaints with them directly.
- b. Link to SCORES website/link to download SCORES mobile app.

Thus, the mandate to redress the investor grievance is cast upon the entities against whom the grievances have been raised by the investors, and SEBI continues to re-inforce the same.

- 3.3. SEBI regularly reviews its regulations and circulars to examine the possible gaps in the system and bridge the gaps through systemic improvements. This resulted in addressing many cause of complaints at its root. In this regard SEBI has continuously done root cause analysis of complaints and has taken policy interventions through issuance of circulars/ policy and procedural changes. This has also resulted in reduction of number of complaints being received on SCORES.
- 3.4. **Mediation/Conciliation/Arbitration:** In addition to the policy interventions stated above, new mechanisms have been created to enable investors to get their grievances redressed as follows:
- 3.4.1. Vide circular dated August 10, 2011, a mechanism of mediation and arbitration has been created by SEBI for investors who are dissatisfied with the redressal provided by stock brokers and depository participants (or) any dispute with the stock brokers and depository participants and later streamlined the mechanism through subsequent circulars on this matter. The following process is followed by Market Infrastructure Institutions (MIIs):
- a. Time-bound mechanism for resolution of investor complaints by the concerned intermediary,
 - b. In the event of complainant not being satisfied by the resolution, reference to mediation and conciliation undertaken by the Investor Grievance Redressal Committee (IGRC) – as constituted by the stock exchange/depositories, and doing so in a time-bound manner, and
 - c. In the event of the IGRC process failing to resolve the matter, reference is made to the arbitration mechanism of the stock exchange under Arbitration and Conciliation act, 1996, which resolves and decides the matter in a time bound manner. In case investors are still not satisfied with arbitration awards, they can opt for appellate arbitration under section 34 of Arbitration and Conciliation Act, 1996.
- 3.4.2. Such mediation/conciliation and arbitration mechanisms as administered by the exchanges (including stock and commodity exchanges) and depositories (together referred to as Market Infrastructure Institutions – MIIs) have served the Indian stock market effectively wherein around 85% of investor grievances are redressed at the stage of informal mediation by Exchange’s investor service centres and 13% grievances are redressed at IGRC level. Only 2% cases have been escalated to arbitration and appellate arbitration.
- 3.4.3. Vide circular dated May 30, 2022, MII administered mediation/conciliation and arbitration mechanism has also been extended to the resolution of disputes emanating from investor services such as transfer/transmission of shares, demat/remat, issue of duplicate shares, transposition of holders, etc. and investor entitlements like corporate benefits, dividend, bonus shares, rights entitlements, credit of securities in public issue, interest /coupon payments on securities, etc. pertaining to Listed Companies / Registrar and Transfer Agents.
- 3.4.4. The MII administered Dispute Resolution process had inter-alia certain limitations as follows:
- a. it only covers certain segments (stock brokers, commodity brokers, Depository participants, listed companies and registrars and share transfer agents) of the securities market;

- b. largely a physical process making it relatively costly, time consuming;
- c. multi-layered process involving IGRC, Arbitration and Appellate Arbitration

3.4.5. To address the above said limitations, the following proposals have been approved by SEBI Board in its meeting held on March 29, 2023.

- a. Extend the MII administered online mediation/conciliation and online arbitration to all registered intermediaries/ regulated entities and create a contractual framework between MIIs and intermediaries for initiation of dispute resolution proceedings.
- b. The investor may approach any MII to lodge their request for dispute resolution.
- c. Expand the capacity of the MII administered dispute resolution process with the aid of Online Dispute Resolution (ODR) process by way of tie-ups with ODR institutions.
- d. Training to the conciliators/arbitrators using NISM.
- e. Conduct the dispute resolution process through a hybrid approach (mix of online and offline). The hybrid process will also be facilitated through Investor Service Centres (ISC) of MIIs.
- f. Relabel the IGRC as conciliators.
- g. Appoint a sole arbitrator for cases below a certain monetary threshold and have a panel of 3 arbitrators for cases above the threshold.
- h. Discontinue appellate arbitration in order to have a uniform approach and bring down costs for the arbitration process.

3.4.6. **ODR Platform:** In order to help investors in accessing the ODR mechanism, an online platform is envisaged through which the investor may approach any MII to lodge their request for dispute resolution and the request will be auto assigned to a MII ODR platform based on round robin logic. Some of the portal features include scheduling of hearings, Chatbot to guide the users of the ODR framework, multilingual capabilities to assist investors and conciliators/arbitrators, assistive technologies for visually impaired/deaf-mute investors, payment tools, digital signature/eSign, transcription services, etc. relevant for the ODR framework.

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

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

3.6. A working group has been constituted by SEBI to inter-alia recommend level of deposit to be maintained by the various intermediaries with the MIIs for execution of award/interim relief for the investors.

4. **Proposals:**

4.1. Considering the above, the redressal of investor grievances by the entities has been strengthened. In order to further strengthen the investor grievance redressal process,

it is proposed that SCORES may be redesigned 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.

4.2. The proposed process flow is placed at Annexure 2 and detailed below:

- 4.2.1. 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 automatically forwarded simultaneously to MIIs, BASL (i.e. First Level Regulators (FLR)), trade bodies as appropriate. Such bodies have to monitor timely submission of ATR by the concerned entities.
- 4.2.2. Entities will be required to resolve the grievance and upload the Action Taken Report (ATR) on SCORES within 21 days of receipt of complaint. The ATR of the entity will be automatically routed to the complainant.
- 4.2.3. An e-mail, SMS message and WhatsApp message communication will be sent to the complainant about the submission of ATR by the entity. In the event of the complainant not being satisfied with the ATR filed by the entity, the complainant would have an option to avail review of the complaint within 15 days. 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. The complaint would be closed, if there is no request for review from the complainant within 15 days. Under exceptional circumstances, for instance on serious health grounds etc. delay will be condoned and review of the complaint will be accepted beyond 15 days.
- 4.2.4. 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 21 days, the complaint will be taken up by FLR or trade bodies for first review automatically. The FLR/Trade bodies 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.
- 4.2.5. An e-mail, SMS message and WhatsApp message communication will be sent to the complainant about the submission of ATR by the FLR/trade body for 1st review complaint. In the event of the complainant not being satisfied with the ATR filed after 1st review, the complainant would have an option to avail SEBI review of the complaint within 15 days. The complaint will be kept pending for 15 days awaiting revert from the complainant. The complaint would be closed, if there is no request for review from the complainant within 15 days. Under exceptional circumstances, for instance on serious health grounds etc. delay will be condoned and review of the complaint will be accepted beyond 15 days.
- 4.2.6. If the complainant is not satisfied with the ATR submitted at 1st review stage, and indicate the same within 15 days (or) the FLR/trade 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 first line regulator/ entity to resolve the matter. Based on the same SEBI would dispose of the complaint with reasoned remarks. In case the complainant is not satisfied with the same, an option to approach the ODR platform would be provided as SCORES will provide a link to the ODR platform.
- 4.2.7. 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, they would be given an option to seek appropriate remedies through the Alternate Dispute Resolution mechanism instituted by SEBI i.e. Online Dispute Resolution mechanism. In addition, they would always have the option to approach legal forums including civil courts, consumer courts etc.

5. **Other issues:** 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 with the observation given below as it requires SEBI to examine/ investigate if there is any violation of SEBI's regulation.

These type of complaints cannot be treated as investor grievances as they require examination/investigation in the matter. Further, providing any status in these complaints can be price-sensitive and have a market impact. Hence, such complaints are treated as market intelligence.

“The information provided by you under the categories will be being treated as market intelligence. This information will be analysed and if found necessary, further action will be taken. The status of such examination cannot be disclosed as SEBI conducts the examination confidentially in a holistic manner. Therefore, no complaint number and acknowledgement shall be sent to you. In order to aid SEBI to carry out its surveillance activity, you are encouraged to provide correct and complete information. Any regulatory actions taken by SEBI are published at SEBI website at www.sebi.gov.in. Frequently Asked Questions (FAQs) available on SCORES website may be referred, for further assistance.”

5.1. **Proposal:**

Complaints pertaining to Market Price Manipulation, Price/ Volume Manipulation in Equity, Derivatives Commodity Derivatives, Insider Trading, Accounting Manipulation by Listed Companies that are currently being auto-closed with the observations above will be excluded from SCORES platform as these cannot be treated as complaints and a separate portal for Market Intelligence will be created for this purpose. In case, the investors lodges complaints in nature of market intelligence on SCORES, such type of complaints would be closed and routed to Market Intelligence portal.

6. **Rationale for the above proposals:**

- 6.1. The routing of complaints from the investors to the concerned entity and to FLRs/trade bodies will be automated eliminating the time lapses in the flow of complaints.
- 6.2. The ATR of the entity will directly be routed to the investors and the complaint will be kept pending for 15 days awaiting revert from the complainant. This provides full opportunity for the investor to seek review after receipt of reply from the entity. This would make entity more responsible and accountable in line with its mandate under conditions of registration/ listing obligations and investor charter.

- 6.3. The automatic review of complaints at two stages (1st stage by FLRs/trade bodies and 2nd stage by SEBI) if ATR is not submitted within the stipulated time period will compel the entities/FLRs to expedite redressal of investor grievances within stipulated times.
- 6.4. Linkage of SCORES portal with the ODR platform wherein complainant who is still not satisfied with resolution provided on SCORES can approach ODR will create further options for the complainant.
- 6.5. A separate portal for collection of market intelligence will help in distinguishing between investor grievances and intelligence inputs, with independent focus on each.

Public Comments:

Comments/ suggestions are invited from public on proposals mentioned at para 4 and para 5 above and any additional feedback on the subject.

Public comments are invited for the proposal on revamping SCORES and strengthening the Investor Grievance Redressal. The comments/ suggestions may be provided as per the format given below:

Name of the person/ entity proposing comments:
Name of the organization (if applicable):
Contact details:
Category: whether market intermediary/ participant (mention type/ category) or public (investor, academican etc.)

S.no	Extract from consultation paper	Issues (with page/para nos)	Proposals / Suggestions	Rationale

Kindly mention the subject of the communication as, “CONSULTATION PAPER ON STRENGTHENING OF INVESTOR GRIEVANCE HANDLING MECHANISM THROUGH SCORES AND LINKING TO THE ONLINE DISPUTE RESOLUTION MECHANISM APPROVED BY SEBI”.

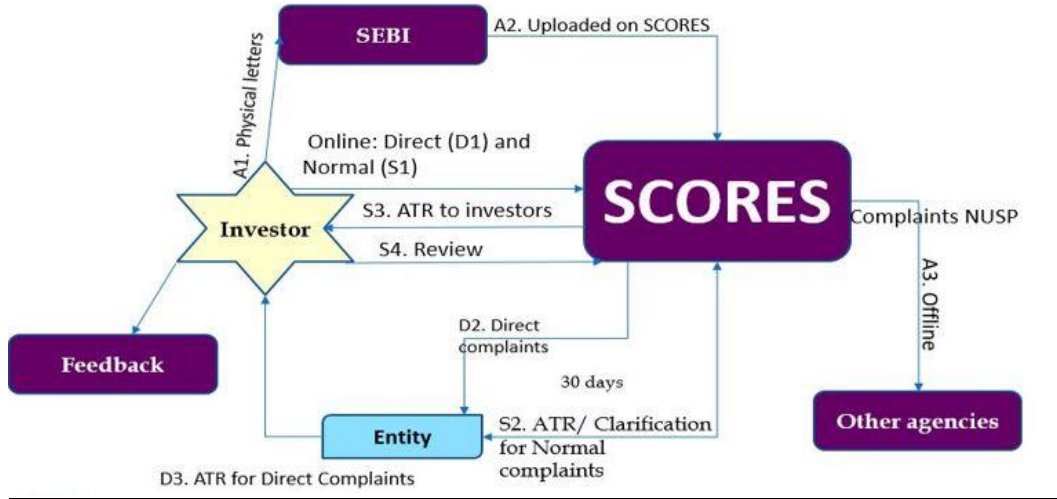
Comments as per aforesaid format may be sent to the following, latest by June 03, 2023 (within 15 days from date of publication of this consultation paper on SEBI website) through the following modes:

- a. By email to: nihalm@sebi.gov.in; vandanak@sebi.gov.in or
b. By post to the following address:

Ms. Vandana Rajesh Kumar, Deputy General Manager / Mr. Nihal Kumar Machineni,
Manager
Office of Investor Assistance and Education
Investor Grievance Redressal Division
Securities and Exchange Board of India, SEBI Bhavan II, C-7, G-Block,
Bandra Kurla Complex, Bandra (East), Mumbai – 400051.

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Annexure 1



Proposed flow chart

