

## ERGO

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### SEBI'S REDRESSAL OF INVESTOR GRIEVANCE THROUGH SCORES PLATFORM AND ONLINE DISPUTE RESOLUTION

13 October 2023

#### **Introduction**

In a significant move towards bolstering investor protection, the Securities and Exchange Board of India (SEBI) has issued a circular on 20 September 2023 (Circular) for redressal of investor grievances through SEBI's Complaint Redressal Platform (SCORES) and its Online Dispute Resolution Platform (ODR). The Circular will be effective from 4 December 2023.

#### **Existing Framework**

SCORES is a facilitative platform to address investor grievances against a (i) listed company; (ii) registered intermediary; or (iii) market infrastructure institution (MII) (individually Entity and together Entities). In August 2023, SEBI amended the regulations for certain entities<sup>1</sup>, thereby: (a) shortening the time to resolve the investor complaints (Complaint) from 30 to 21 days; and (b) permitting body corporates, to supervise grievance redressal process.

The Circular rescinds the 7 November 2022 circular and establishes Designated Bodies<sup>2</sup> for complaints under SCORES. Notwithstanding the rescission, any previous action taken under the rescinded circular shall be unaffected and deemed to have been taken under the Circular.

#### **Key Provisions of the Circular**

##### **Submission and handling of the Complaint:**

- Complaints lodged through SCORES are automatically forwarded to the concerned Entity with a copy marked to the Designated Body. Entities shall resolve the Complaint and upload the Action Taken Report (ATR) on SCORES within 21 calendar days of receipt of the Complaint. The ATR is automatically routed to the complainant.
- SEBI may concurrently monitor the Entities and Designated Bodies grievance redressal process. The Designated Body shall monitor the ATRs submitted by the Entities.

<sup>1</sup> Namely, stockbrokers, merchant bankers, registrar to an issue, debenture trustees, bankers to an issue, mutual funds, collective investment scheme, securitized debt issuers, alternative investment funds, investment advisers, research analysts, real estate investment trusts, infrastructure investment trusts, listed entities, depositories, depository participants, portfolio managers, vault managers, and issuers of municipal debt securities

<sup>2</sup> defined as stock exchanges, depositories, Association of Investment Bankers of India (AIBI), Association of Portfolio Managers in India (APMI),

***First review of the Complaint:***

- If a complainant is satisfied with the resolution provided vide the ATR or does not file a review, the Complaint shall be disposed on SCORES. However, if not satisfied, the complainant may request a review within 15 calendar days from the date of the ATR.
- If a complainant files a review, or the Entity has not submitted the ATR within 21 days, the Designated Body shall begin the first review with the Entity. The revised ATR shall be delivered by the Designated Body to the complainant via SCORES within 10 days from the review request. SEBI shall handle the first review Complaint for intermediaries, where no Designated Body is appointed.
- This Circular permits Designated Bodies to monitor and handle grievance redressal and take non-enforcement actions and refer to SEBI the enforcement actions.

***Second Review of the Complaint:***

- Within 15 calendar days of the Designated Body submitting the ATR, complainant may request a second review, through SCORES. If a complainant is satisfied with the Designated Body's ATR or does not opt for review, within 15 days, the Complaint will be disposed of.
- If the complainant is not satisfied with the Designated Body's ATR, or such ATR is not submitted within 10 days, SEBI may initiate review with the stakeholders, including the Entity and/or Designated Body. The Entity and/or Designated Body must submit a revised ATR to SEBI through SCORES, within the timeline specified.
- SEBI or the Designated Body may seek the Entity's clarification on the ATR submitted for review. The second review Complaint shall be treated as 'resolved', 'disposed' or 'closed' only upon SEBI's disposal or closure of the Complaint in SCORES and not merely upon filing of the ATR for SEBI review.

***SCORES authentication for registered intermediaries and MII's:***

- The procedure for generation of SCORES user ID and password is automated for all SEBI registered intermediaries and MIIs registered / recognized by SEBI after 2 August 2019. Upon completion of the online process and grant of registration by SEBI, the SCORES login credentials are sent through auto-generated e-mails of the contact person, or the compliance officer as provided in the online registration form.
- Stockbrokers and depository participants shall also obtain SCORES authentication.

***SCORES authentication for companies to be listed on recognized stock exchanges:***

- Online SCORES authentication by way of a declaration, with an online form, signed by the Compliance Officer on their letter head is required for all companies to be listed, stating:
  - a. If listing on main board: that the board has filed, the draft red herring prospectus.
  - b. If listing on SME / debt platform of stock exchange: that an application to list its securities is filed with stock exchange or an in-principal approval is obtained.

- SCORES credentials shall be sent to the Compliance Officer or dealing officer's email Id.
- Listed companies can process the complaints either in-house or through their registrar to issue and share transfer agent (RTI/STA). In case the RTA/STA process the Complaint, any failure on their part will be treated as the listed company's failure to furnish information to SEBI and counted towards non-redressal of investor complaints

### **Requirements applicable to Designated Bodies:**

- Designated Bodies must take SCORES authentication from SEBI, provide a generic e-mail id., appoint one nodal officer, have adequate infrastructure to comply, to curb data leakage and share management information systems (MIS) reports, with the Entities and SEBI, as required.
- Designated Bodies having their own Complaint redressal portal and wishing to integrate it with SCORES shall write to SEBI at [scores@sebi.gov.in](mailto:scores@sebi.gov.in).

### **Action for failure to redress investor complaints by listed companies:**

- Designated Stock Exchange (DSE) shall levy a fine of INR 1,000 per day (from T + 61 days) per Complaint, where T refers to the day the Complaint is received in SCORES by the listed company, or a company suspended from trading on the stock exchanges.
- DSE shall issue a notice to the listed company to pay fines within 15 days and submit the ATR. In case of non-compliance, on T + 76 days DSE shall issue a notice to the listed company's promoter(s) requiring compliance within 10 days. If non-compliance persists, on T + 86 days DSE shall inform the depository(ies) to freeze the promoter(s) shareholding in such listed company and its securities held in the promoter(s) demat account. DSE may take additional measures if the listed entity's non-compliance continues and notify other recognized stock exchanges where the company's shares are listed.
- During non-compliance, the fines shall be assessed on a monthly basis, and continue until the company files an ATR stating that its grievance is resolved, or the company is forcibly delisted, whichever is earlier.
- Stock exchanges shall transmit Complaints to SEBI only upon exhausting all options and if there are more than 20 pending Complaints or the Complaints exceed INR 10 lakhs. The stock exchanges shall notify SEBI of the actions taken for failing to resolve complaints or pay the fines. Any procedural deviation shall require documented reasons.

### **General provisions regarding investor grievance redressal:**

- Investors must first address their concerns to the Entity's designated compliance and investor complaint officials. Then within 1 year from the date of occurrence, they may lodge a Complaint, by registering on SCORES and providing requisite PAN and contact details.
- Following Complaints are excluded from SCORES processing:

- a. against unlisted/delisted companies, or companies on dissemination board of stock exchanges (except those related to securities valuation);
  - b. tied to court cases or quasi-judicial matters, disputes within ODR managed by MIIs,
  - c. falling within the jurisdiction of other regulatory bodies / ministries;
  - d. against companies undergoing resolution under the insolvency and bankruptcy code;
  - e. against companies removed from the register, or vanishing, or liquidated companies; or
  - f. categorized as market intelligence, for violations of securities laws reported to SEBI.
- The complainant may choose appropriate remedies through ODR or approach other legal forums (civil or consumer courts) if not satisfied with the SEBI review or the dispute is in the nature of a *lis* or the issues require third party rights adjudication. If an alternative is chosen, while the Complaint is pending in SCORES, the Complaint will be deemed resolved.

#### Comment

*This Circular reinstates the regulator's commitment to create an efficient and investor-friendly regulatory environment. To comply with the revised framework, the Entities would need to invest more resources and manpower to handle complaints within the shorter timeframes.*

*Nevertheless, this Circular is a welcome step towards safeguarding investor interests, as it promotes a culture of accountability among the market participants and encourages timely resolution of complaints.*

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