

## **INVESTOR GRIEVANCES REDRESSAL MECHANISM**

### **Handling of SCORES Complaints by Stock Exchanges and Standard Operating Procedure for Non-Redressal of Grievances by Listed Companies**

The Securities and Exchange Board of India (“SEBI”) through Circular No. **SEBI/HO/OIAE/IGRD/CIR/P/2020/152** dated **August 13, 2020** (“Circular”), in continuation of SEBI circular nos. SEBI/HO/OIAE/IGRD/CIR/P/2018/58 dated March 26, 2018 and SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020, has introduced a framework for handling of complaints listed under SEBI Complaints Redress System (“SCORES”) by the stock exchanges as well as Standard Operating Procedure (“SOP”) for actions to be taken against listed companies for the failure to redress investor grievances.

Investors are encouraged to initially take up their grievances for redressal directly to the listed company or can use SCORES platform to submit grievances directly to the company for resolution, if the complainant has not approached to the company earlier.

Companies are expected to resolve investor complaints within **30 (thirty) days from the receipt of such complaint directly**. In case the company fails to do so, such direct complaints shall be forwarded to Designated Stock Exchange (“DSE”) through SCORES.

Upon receipt of the complaint through SCORES platform to DSE, the listed entity is required to redress the complaint and submit an Action Taken Report (“ATR”) **within 30 (thirty) days from the date of receipt of such complaint**.

In case of,

- failure to file the ATR within 30 days; or
- DSE opine that the complaint is not adequately redressed; or
- the complaint remains pending beyond 30 days;

the DSE shall issue reminder to the listed Company through SCORES directing expeditious redressal of the grievance **within another 30 days**.

If DSE got satisfied with the response by the listed entity, it shall submit an ATR to SEBI, however, if not or for any failure to redress investor grievances pending beyond 60 days by listed companies, the stock exchange shall levy a fine of **Rs. 1,000 (Rupees one thousand) per day per complaint**.

Fines shall also be levied on companies which are suspended from trading.

DSE shall issue a notice to listed entity intimating about the levy of fines and direct them to submit ATRs on the pending complaints and payment of fines **within 15 days from the date of such notice**. If listed entity fails to do the same, the notice shall be sent to promoter(s) of such entities, to ensure submission of ATRs on the pending complaints and payment of fines by the listed entity **within 10 (ten) more days from the date of such notice**.

While issuing the aforementioned notices, the DSE shall also send intimation to other recognized stock exchange(s) where the shares of the non-compliant entity are listed.

Moreover, if listed entity fails to act upon time or pay fines within stipulated period as per the notices, the DSE shall forthwith intimate the **depositories to freeze the entire shareholding of the promoters and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group**. Depository shall act immediately and inform the promoter(s) about the details of such non-compliances resulting freezing of their demat accounts.

Once DSE has exhausted all options and if number of pending complaints **exceed 20 (twenty)** or the value involved is more than **Rs.10 (ten) lakhs**, the stock exchanges shall forward the details of such companies to SEBI for further action, if any. **Fine shall be computed and levied on a monthly**

***basis during the non-compliance period and it shall continue to accrue till the date of redressal of grievance/ filing of ATR by the Company or till the Company is compulsorily delisted, whichever is earlier.***

If Company has redressed investor's complaint and has paid fines (if any) levied will be treated as compliant and shareholding of promoter/ promoter group, if frozen, will be unfreeze from the date of such compliance.

Where a Company has redressed the investor's complaint but has not paid the accrued fines, the DSE shall not levy further fines. However the promoters' shareholdings shall remain frozen till the payment of accrued fines. Further if the company has not redressed the investor's complaint but has paid the accrued fines, the DSE shall continue to levy the fines and may initiate other action as deemed appropriate.

The recognized stock exchanges may keep in abeyance the action against any non-compliant entity or withdraw the action in specific cases where specific exemption from compliance with the requirements under the Listing Regulations/moratorium on enforcement proceedings has been provided for under any Act, Court/Tribunal Orders etc.

*The framework is applicable only in respect of certain categories of permissible complaints as listed in Annexure 2 of the Circular. Additionally, stock exchanges have been directed to not to handle the certain type of complaints as provided is the same annexure.*

The Circular contain detailed timelines of the entire process in the Annexure 1 of the Circular.

***The Circular has come into force on September 1, 2020.***

*for complete circular please refer the below link*

[https://www.sebi.gov.in/legal/circulars/aug-2020/investor-grievances-redressal-mechanism-handling-of-scores-complaints-by-stock-exchanges-and-standard-operating-procedure-for-non-redressal-of-grievances-by-listed-companies\\_47325.html](https://www.sebi.gov.in/legal/circulars/aug-2020/investor-grievances-redressal-mechanism-handling-of-scores-complaints-by-stock-exchanges-and-standard-operating-procedure-for-non-redressal-of-grievances-by-listed-companies_47325.html)

*refer below links for the circulars specified above*

- SEBI circular dated March 26, 2018 - [https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redress-mechanism-new-policy-measures\\_38481.html](https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redress-mechanism-new-policy-measures_38481.html)

- SEBI circular dated January 22, 2020 - <https://www.sebi.gov.in/legal/circulars/jan-2020/non-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-and-the-standard-operating-procedure-for-suspension-and-revocation-of-trading-of-45752.html>

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