

CIRCULAR

SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/76

May 30, 2022

To

All Recognized Stock Exchanges

All registered Registrars to an Issue and Share Transfer Agents (RTAs)

All Listed Companies through Recognized Stock Exchanges

Dear Sir / Madam,

Subject: Standard Operating Procedures (SOP) for dispute resolution under the Stock Exchange arbitration mechanism for disputes between a Listed Company and/or Registrars to an Issue and Share Transfer Agents (RTAs) and its Shareholder(s)/Investor(s)

1. Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and bye-laws, listing agreement & regulations of the stock exchanges provide for dispute resolution under the stock exchange arbitration mechanism for disputes between a listed company and its shareholder(s)/ investor(s).
2. SEBI vide circular dated April 08, 2022 advised Exchanges to put in place a Standard Operating Procedure (SOP) for operationalizing the resolution of all disputes pertaining to or 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.
3. In partial modification to the above circular, and after consultation with the stock exchanges/ Registrar and Share Transfer Agents (RTAs), the SOP to be followed is as under-

3.1. Applicability

- 3.1.1. The provisions of SOP shall be applicable to Listed Companies / RTAs offering services on behalf of listed companies. In case of claims or disputes arising between the shareholder(s)/ investor(s) of listed companies and the RTAs, the RTAs shall be subjected to the stock exchange arbitration mechanism. In all such instances, the listed company shall necessarily be added as a party.
- 3.1.2. The Arbitration Mechanism shall be initiated post exhausting all actions for resolution of complaints including those received through SCORES Portal. The Arbitration reference shall be filed with the Stock Exchange where the initial complaint has been addressed.

3.2. Maintenance of a Panel of Arbitrators and Code of Conduct for Arbitrators

- 3.2.1. The maintenance of Panel of Arbitrators and the Code of Conduct for Arbitrators shall be in line with the current norms being followed by the Stock Exchanges for arbitration mechanism.

3.3. Arbitration

- 3.3.1. The limitation period for filing an arbitration application shall be as prescribed under the law of limitation, i.e., The Limitation Act, 1963.
- 3.3.2. In case of arbitration matters involving a claim of up to Rs. 25 lakhs, a sole arbitrator shall be appointed and, if the value of the claim is more than Rs. 25 lakhs, a panel of three arbitrators shall be appointed.
- 3.3.3. The process of appointment of arbitrator(s) shall be completed by the stock exchange within 30 days from the date of receipt of complete application from the applicant.
- 3.3.4. Disputes pertaining to or emanating from investor service requests such as transfer/transmission of shares, demat/remat, issue of duplicate shares, transposition of holders, investor entitlements like corporate benefits, dividend, bonus shares, rights entitlements, credit of securities in public issue, interest /coupon payments on securities and delay in processing/wrongful rejection of aforesaid investor service requests may be considered for arbitration.

3.4. Appellate Arbitration

- 3.4.1. Any party aggrieved by an arbitral award may file an appeal before the appellate panel of arbitrators of the stock exchange against such award within one month from the date of receipt of arbitral award by the aggrieved party.
- 3.4.2. The appellate panel shall consist of three arbitrators who shall be different from the one(s) who passed the arbitral award appealed against.
- 3.4.3. The process of appointment of appellate panel of arbitrator(s) shall be completed by the stock exchange within 30 days from the date of receipt of complete application for appellate arbitration.

3.5. Arbitration Fees

- 3.5.1. The fees per arbitrator shall be Rs. 18,000/- plus stamp duty, service charge etc. as applicable per case. The fees plus stamp duty, service charge etc. as applicable shall be collected from RTAs/ Listed companies and shareholder(s)/ investor(s) separately by the Exchange, for defraying the cost of arbitration.
- 3.5.2. If the value of claim is less than or equal to Rs.10 lakhs, then the cost of arbitration with respect to the shareholder(s)/investor(s) shall be borne by the Exchange.
- 3.5.3. Further on passing of the arbitral award, the fees and stamp charges paid by the party in whose favor the award has been passed would be refunded and the fees and stamp charges of the party against whom the award has been passed would be utilized towards payment of the arbitrator fees.

- 3.5.4. For appellate arbitration, fees of Rs. 54,000/- plus stamp duty, service charge etc. as applicable shall be paid by the appellant only. The Appellate fees shall be non-refundable.
- 3.5.5. In case, an appellant filing an appeal is a shareholder/an investor having a claim of more than Rs. 10 lakhs, the appellant shall pay a fee not exceeding Rs. 30,000/- plus stamp duty, service charge etc. as applicable and in case of a claim upto Rs. 10 lakhs, the appellant shall pay a fee not exceeding Rs. 10,000/- plus stamp duty, service charge etc. as applicable. Further expenses thus arising shall be borne by the Stock Exchanges and the Investor Protection Fund of Stock Exchanges equally.

3.6. Place of Arbitration

- 3.6.1. The arbitration and appellate arbitration shall be conducted at the regional centre of the stock exchange nearest to the shareholder(s)/investor(s). The application under Section 34 of the Arbitration and Conciliation Act, 1996, if any, against the decision of the appellate panel of arbitrators shall be filed in the competent Court nearest to such regional centre.

3.7. Hearings

- 3.7.1. No hearing shall be required to be given to the parties involved in the dispute if the value of the claim or dispute is upto Rs. 25,000/-. In such a case, the arbitrator(s) shall proceed to decide the matter on the basis of documents submitted by the parties concerned.
- 3.7.2. If the value of claim or dispute is more than Rs. 25,000/-, the arbitrator(s) shall offer to hear the parties to the dispute unless parties concerned waive their right for such hearing in writing.
- 3.7.3. After appointment of the arbitrator(s) in the matter, the Exchange in consultation with the arbitrator(s) shall determine the date and time of the hearing and a notice of the same shall be given by the Exchange to the parties concerned at least ten days in advance. The parties concerned may opt for physical hearings which are conducted in the Stock Exchange Premises or hearing through Video Conference. The hearings through Video Conference may be conducted by the Stock Exchanges after taking consent from the parties concerned.
- 3.7.4. The arbitrator(s) may conduct one or more hearings, with a view to complete the case within the prescribed timelines.

3.8. Passing of Award

3.8.1. Arbitral Award

- 3.8.1.1. The arbitration proceedings shall be concluded by way of issue of an arbitral award within four months from the date of appointment of arbitrator(s).
- 3.8.1.2. The stock exchanges may extend the time for issue of arbitral award by not more than two months on a case to case basis after recording the reasons for the same.

3.8.2. Appeal against Arbitral Award

- 3.8.3.1. The appeal against an arbitral award shall be disposed of by way of issue of an appellate arbitral award within three months from the date of appointment of appellate panel.
 - 3.8.3.2. The stock exchanges may extend the time for issue of appellate arbitral award by not more than two months on a case to case basis after recording the reasons for the same.
 - 3.8.3.3. A party aggrieved by the appellate arbitral award may file an application to the court of competent jurisdiction in accordance with Section 34 of the Arbitration and Conciliation Act, 1996.
- 3.8.3. In case the parties wish to settle/withdraw the dispute, the arbitrator(s)/ appellate panel may pass an award on consent terms.
- 3.8.4. Where the award is against the Listed Company/RTA, the Listed Company/RTA shall update the status of compliance with the arbitration award promptly to the exchange.
- 3.8.5. The stock exchanges shall put in place a framework for imposition of penalty on Listed Companies in cases where Listed Companies/RTAs do not honor the arbitral award.

3.9. Record and Disclosures

- 3.9.1. The stock exchanges shall preserve the documents related to arbitration for five years from the date of arbitral award, appellate arbitral award or Order of the Court, as the case may be; and register of destruction of records relating to above, permanently.
- 3.9.2. The stock exchanges shall disclose on its website, details of disposal of arbitration proceedings and details of arbitrator-wise disposal of arbitration proceedings as per the formats prescribed by SEBI for already available arbitration mechanism.
4. Stock Exchanges/ RTAs/ Listed Companies are advised to:
- 4.1. make necessary amendments to the relevant bye-laws, rules and regulations, operational instructions, as the case may be, for the implementation of the above Circular; and
 - 4.2. bring the provisions of this Circular to the notice of their constituents/shareholder(s)/investor(s) and also disseminate the same on their websites.
5. The provisions of this Circular shall come into force with effect from June 01, 2022.
6. This Circular is being issued to protect the interests of investors in securities and to promote the development of, and to regulate the securities market read in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992.

7. The circular is issued with the approval of the competent authority.
8. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework -> Circulars".

Yours faithfully,

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