



Securities and Exchange Board of India

CIRCULAR

CIR/MRD/DSA/29/2010

August 31, 2010

The Managing Director/Executive Director,
of all Stock Exchanges.

Dear Sir / Madam,

Subject: Arbitration Mechanism in Stock Exchanges

- I. SEBI, vide circular No. CIR/MRD/DSA/24/2010 dated August 11, 2010, has streamlined the arbitration mechanism available at stock exchanges for arbitration of disputes (claims, complaints, differences, etc.) arising between a client and a member (Stock Broker, Trading Member and Clearing Member) across various market segments.
- II. Based on feedback from investors, it has been decided to replace Para 7 of the SEBI Circular Ref. No. CIR/MRD/DSA/24/2010 dated August 11, 2010 by the following:-

"7. Arbitration Fees

7.1 Each of the parties to arbitration (other than a client with a claim / counter claim upto Rs. 10 lakh and filing the arbitration reference for the same within six months) shall deposit an amount, as may be prescribed by the stock exchange, at the time of making arbitration reference. The deposits (exclusive of statutory dues - stamp duty, service tax, etc.) shall not exceed the amount as indicated under:



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Amount of Claim / Counter Claim, whichever is higher (Rs.)	If claim is filed within six months	If claim is filed after six months
≤ 10,00,000	1.3% subject to a minimum of Rs.10,000	3.9% subject to a minimum of Rs.30,000
> 10,00,000 - ≤ 25,00,000	Rs. 13,000 plus 0.3% amount above Rs. 10 lakh	Rs. 39,000 plus 0.9% amount above Rs. 10 lakh
> 25,00,000	Rs. 17,500 plus 0.2 % amount above Rs. 25 lakh subject to maximum of Rs. 30,000	Rs. 52,500 plus 0.6 % amount above Rs. 25 lakh subject to maximum of Rs. 90,000

7.2 A client, who has a claim / counter claim upto Rs. 10 lakh and files arbitration reference for the same within six months, shall be exempt from the deposit.

7.3 In all cases, on issue of the arbitral award the stock exchange shall refund the deposit to the party in whose favour the award has been passed. In cases where claim was filed within six months period, the full deposit made by the party against whom the award has been passed, shall be appropriated towards arbitration fees. In cases where claim was filed after six months, one-third of the deposit collected from the party against whom the award has been passed, shall be appropriated towards arbitration fees and balance two-third amount shall be credited to the Investor Protection Fund of the respective stock exchange.

Note: Six months (as referred to in paras 7.1, 7.2 and 7.3 above) shall be computed from the end of the quarter during which the disputed transaction(s) were executed/ settled, whichever is relevant for the dispute, and after excluding:-



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a. the time taken by the Investors Grievances Redressal Committee of the Stock Exchange (the time taken from the date of receipt of dispute till the decision by the committee) to resolve the dispute under its Rules, Bye-laws & Regulations, and

b. the time taken by the member to attempt the resolution of the dispute (the time from the date of receipt of dispute by the member to the date of receipt of the member's last communication by the client) or one month from the date of receipt of the dispute by the member, whichever is earlier.

7.4 A party filing an appeal before the appellate panel [as mentioned under item 6 above] shall pay a fee not exceeding Rs. 30,000, as may be prescribed by the stock exchange, in addition to statutory dues (stamp duty, service tax, etc) along with the appeal."

III. The stock exchanges are advised to:-

- a. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately;
- b. bring the provisions of this circular to the notice of the members of the stock exchange and also to disseminate the same through their website; and
- c. communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Reports to SEBI.

IV. SEBI inspection of stock exchange shall cover implementation of this circular.

V. This Circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with



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Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect from September 1, 2010.

VI. This Circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

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CC: All SEBI recognized Investor Associations