



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIR/MRD/DSA/2/2011

February 09, 2011

To

The Managing Director/Executive Director
of all Stock Exchanges.

Dear Sir / Madam,

Subject: Arbitration mechanism of stock exchanges - Applicability of the provisions of the Limitation Act, 1963

This is in continuation of circular ref. No. CIR/MRD/DSA/24/2010 dated August 11, 2010, which *inter alia* prescribed that the limitation period for filing an arbitration reference shall be governed by the provisions of the Limitation Act, 1963. In this regard upon consideration of various representations received by SEBI and pursuant to the discussions held with the representatives of stock exchanges, it has been decided that the limitation period, as modified to three years in terms of Limitation Act, 1963, shall be applicable to cover *inter alia* the following cases:-

- i. where three years have not yet elapsed and the parties have not filed for arbitration with the stock exchange, or
 - ii. where the arbitration application was filed but was rejected solely on the ground of delay in filing within the earlier limitation period of six months; and three years have not yet elapsed;
2. The cost for arbitration in such cases would be as under:-
- i. Cases which were not filed earlier will be subject to the fee amount in terms of SEBI circulars dated August 11, 2010 and August 31, 2010.



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- ii. For cases filed earlier and rejected on the ground of bar of limitation as per the earlier limitation period of six months, the amount of fee already paid would be deducted from the amount computed in terms of SEBI circulars dated August 11, 2010 and August 31, 2010. The balance shall be borne by the parties to the arbitration in the manner specified vide SEBI circulars dated August 11, 2010 and August 31, 2010.
3. Stock exchanges are advised to widely publicise (including in media) the provisions of this circular. In addition to the above, stock exchanges are also directed to inform those applicants who are eligible to file for arbitration in terms of sub-para (ii) of first para of this circular.
4. The recognized stock exchanges are advised to:-
 - i. make necessary amendments to the relevant rules/ bye-laws/ regulations for the implementation of the above decision immediately;
 - ii. 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
 - iii. communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Reports to SEBI.
5. It is clarified that inspection of stock exchanges by SEBI shall cover implementation of this circular.
6. 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 Section 10 of the Securities Contracts (Regulation) Act, 1956, with a view to protect the interests of investors in securities and to



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promote the development of, and to regulate the securities market and shall come into effect immediately.

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

Yours faithfully,

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CC: All SEBI recognized Investor Associations



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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