Chapter 4

INVESTOR GRIEVANCE REDRESSAL MECHANISM AT SEBI

About SEBI

Securities and Exchange Board of India (SEBI) is a statutory body established under the SEBI Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Redressal of investor grievances is one of the key components of SEBI’s efforts to protect the interests of investors in securities.

Investor Grievances

There will be occasions when an investor has a complaint against, a listed company or an intermediary registered with SEBI. In the event of such complaint, the investor should first approach the concerned company/intermediary against whom there is a complaint. Sometimes the response received may not be satisfactory. Therefore, investors should know as to which authority they should approach, to get their complaints redressed.

Whom to approach for complaint against Stock brokers/Depository Participants?

Investors who are not satisfied with the response to their grievances received from the brokers/Depository Participants/listed companies, can lodge their grievances with the Stock Exchanges or Depositories. The grievance can be lodged at any of the offices of the BSE/NSE located at Chennai, Mumbai, Kolkata and New Delhi. In case of unsatisfactory redressal, BSE/NSE has designated Investor Grievance Redressal Committees (IGRCs), or Regional Investor Complaints Resolution Committees (RICRC), this forum acts as a mediator to resolve the claims, disputes and differences between entities and complainants. Stock Exchanges provide a standard format to the complainant for referring the matter to IGRC/RICRC. The committee calls for the parties and acts as a nodal point to
resolve the grievances. For any detailed information, please visit the SEBI website. If the grievance is still not resolved, an investor can file arbitration under the Rules and Bye laws.

SEBI has a dedicated department viz., Office of Investor Assistance and Education (OIAE) to receive investor grievances and to provide assistance to investors by way of education. Investors who are not satisfied with the response to their grievances received from the Stock Exchanges/Depositories can lodge their grievances with SEBI. Grievances pertaining to stock brokers and depository participants are taken up with respective stock exchange and depository for redressal and monitored by SEBI through periodic reports obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by SEBI. Grievances against listed company are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the response of the company is insufficient/inadequate, follow up action is initiated. If the progress of redressal of investor grievances by an entity, is not satisfactory, appropriate enforcement actions (adjudication, direction, prosecution etc.) are initiated against such entity.

What are the types of complaints handled by SEBI?

Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made there under and provisions that are covered under Section 55A of Companies Act, 1956 are handled by SEBI

Entities against which complaints are handled by SEBI:

Listed companies

Stock Brokers/Sub-brokers

Stock Exchanges

Depository

Depository Participants
SEBI also has a separate department to look into market irregularities. If any irregularities are found in trading in shares or manipulation in price or violation of Insider trading regulations, the same can be reported to SEBI.

What is SCORES (SEBI Complaints Redress System)?

SCORES is a web based centralized grievance redress system of SEBI (http://scores.gov.in). SCORES enables investors to lodge and follow up their complaints and track the status of redressal of such complaints online from the above website from anywhere. This enables the market intermediaries and listed companies to receive the complaints online from investors, redress such complaints and report redressal online. All the activities starting from lodging of a complaint till its closure by SEBI would be online in an automated environment and the complainant can view the status of his complaint online. An investor, who is not familiar with SCORES or does not have access to SCORES, can lodge complaints in physical form at any of the offices of SEBI. Such complaints would be scanned and also uploaded in SCORES for processing.

The salient features of SCORES are:

SCORES is web enabled and provides online access 24 x 7;
Complaints and reminders thereon can be lodged online at the above website at anytime from anywhere;

An email is generated instantaneously acknowledging the receipt of complaint and allotting a unique complaint registration number to the complainant for future reference and tracking;

The complaint forwarded online to the entity concerned for its redressal;

The entity concerned uploads an Action Taken Report (ATR) on the complaint;

SEBI peruses the ATR and closes the complaint if it is satisfied that the complaint has been redressed adequately;

The concerned investor can view the status of the complaint online from the above website by logging in the unique complaint registration number;

The entity concerned and the concerned investor can seek and provide clarification on his complaint online to each other;

Every complaint has an audit trail; and

All the complaints are saved in a central database which generates relevant MIS reports to enable SEBI to take appropriate policy decisions and or remedial actions, if any.

**How to lodge complaint in SCORES?**

To register a complaint online on SCORES portal, (http://scores.gov.in) click on “Complaint Registration” under “Investor Corner”. The complaint registration form contains personal details and complaint details. There are certain mandatory fields in the Form. These fields include Name, Address for correspondence, State, Email Address of Investor. After filling the personal details, select the complaint category, entity name, nature of complaint related to, complaint details in brief (up to 1000 characters). A PDF document (up to 1MB of size for each nature of complaint) can also be attached along with the complaint as the supporting document. On successful submission of complaint, system generated unique registration number will be displayed on the screen which may be noted for future correspondence. An email acknowledging the complaint with complaint registration
number will also be sent to the complainant’s email id entered in the complaint registration form.

**How long does it take for the entity to respond to the complaint?**

Generally, the entity responds to the complaint within a few days after the receipt of the complaint. Entities are required to submit the action taken report (ATR) within a reasonable period but not later than 30 days. However, the redressal of complaint may be delayed due to various reasons viz., non receipt of satisfactory reply from the entity, non receipt of information/documents sought by the entity/SEBI from the investor, court matter, entity not traceable or vanished companies, etc.

**What are the limitations in dealing with complaints?**

Sometimes a complaint is successfully resolved and the entity is advised to send reply to complainant. But in certain cases, the entity or company denies wrongdoing, and it remains unclear as to who is wrong or whether any wrongdoing occurred at all. If this happens, SEBI cannot act as a judge or an arbitrator and force the entity or company to resolve the complaint. Further, SEBI cannot act as personal representative or attorney of the complainant. Securities laws and other laws provide important legal rights and remedies if an investor has suffered wrongdoing. On their own, investors can also seek to resolve their complaint through the courts, consumer courts, or arbitration.

**When can a case be referred for arbitration?**

If the grievance is not resolved by the Stock Exchange/Depository due to disputes, an investor can file arbitration subject to the Bye-laws, Rules and Regulations of the exchange/Depository. All claims, differences or disputes between the investors and stock brokers/depository participants can be filed for arbitration. To obtain information about when and how to file an arbitration claim, please visit:

Bombay Stock Exchange
http://www.bseindia.com/invdsk/Arbitrage.asp

National Stock Exchange
Simplified arbitration can be a less costly alternative to legal recourse before the courts of law. If the investor has an account with the broker or a depository participant (DP), he/she can choose arbitration to settle disputes. The investor generally cannot pursue an issue through arbitration if it is barred by limitation prescribed. When deciding whether to arbitrate, the investor has to bear in mind that if the broker or DP goes out of business or declares bankruptcy, he/she might not be able to recover money even if the arbitrator or court rules in his/her favor. However, with certain restriction to the nature of transactions, Stock Exchanges may settle on case to case basis the claim of an investor up to a limit prescribed in the “Investor protection fund” guidelines of the respective Stock Exchange.

The claimant is required to carefully review the rules governing simplified arbitration before filing a claim and should also weigh the costs of arbitrating against the likelihood of being able to collect any award in favor. An investor, who has a claim / counter claim upto `10 lakh and files arbitration reference for the same within six months, need not make any deposit for filing arbitration.

When can SEBI take action for non resolution of the complaint?

While the entity is directly responsible for redressal of the complaint, SEBI initiates action against recalcitrant entities on the grounds of their unsatisfactory redressal of large number of investor complaints as a whole.

Which are the matters that are not considered as complaints by SEBI?

Complaints that are incomplete or not specific

Allegations without supporting documents
Offering suggestions or seeking guidance/explanation

Seeking explanation for non-trading of shares or illiquidity of shares

Not satisfied with trading price of the shares of the companies

Non-listing of shares of private offer

Disputes arise out of private agreement with companies/intermediaries

**What types of Complaints are not handled by SEBI?**

- Complaints against unlisted/delisted/wound up/liquidated/sick companies
- Complaints that are sub-judice (relating to cases which are under consideration by court of law, quasi-judicial proceedings etc.)
- Complaints falling under the purview of other regulatory bodies viz. RBI, IRDA, PFRDA, CCI, FMC, etc., or under the purview of other ministries viz., MCA, etc.

**Which are the Regulators/Authorities to approach for other types of complaints?**

The Regulators/authorities whom the investor has to approach for redressal of other types of grievances are given below:

**Grievances pertaining to**

<table>
<thead>
<tr>
<th>Regulator</th>
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<tr>
<td>Banks deposits and banking</td>
</tr>
<tr>
<td>Fixed Deposits with Non Banking Financial Companies (NBFCs)</td>
</tr>
<tr>
<td>Primary Dealers</td>
</tr>
<tr>
<td>Fixed Deposits with manufacturing companies</td>
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</tbody>
</table>
Unlisted companies

Mismanagement of companies, financial performance of the company, Annual General Meeting, Annual Report, minority shareholders interest, non-receipt of preferential allotment shares, etc. and corporate actions as per the court order such as mergers, amalgamation, reduction of share capital/par value, etc.

Nidhi Companies

Insurance Companies/Brokers Insurance Regulatory and Development
/Agents/products and Service Authority of India (IRDA)

Redressal of investor grievances against stock brokers and subbrokers

in SEBI Complaints Redress System (SCORES)

1. SEBI has commenced processing of investor grievances in a centralized web-based complaints redressal system, ‘SCORES’. The salient features of this system are:
   • Centralized database of all complaints;
   • Online movement of complaints to the concerned entities;
   • Online upload of Action Taken Reports (ATRs) by the concerned entities; and
   • Online tracking of status of complaints by investors.

2. The investor grievances received by SEBI against stock brokers and subbrokers will be taken up electronically with the concerned stock exchange(s) through SCORES (https://scores.gov.in/Admin). The stock exchange(s) shall, in turn, take up the matter with the concerned stock brokers/sub brokers.

3. The stock brokers and sub-brokers shall take adequate steps for redressal of grievances within one month from the date of receipt of the complaint and keep the investor/stock exchange(s) duly informed of the action taken thereon. Failure to comply with the said requirement will render the stockbroker liable for penal action.
4. The stock exchanges shall:
   a) Put in place a suitable mechanism to follow up with the stock brokers and sub-brokers, wherever necessary;
   b) Devise a system to levy penalty on its members for any non compliance with the requirements specified in para 3 above;
   c) Update the status of the complaints in SCORES, at every stage, along with supporting documents; and
   d) Ensure that the status of investor complaints disclosed on their websites is in conformity with the status updated in SCORES

5. The stock exchanges are advised to:
   a) Issue necessary instructions to bring the provisions of this circular to the notice of their constituents and also disseminate the same on their websites;
   b) Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above in co-ordination with one another to achieve uniformity in approach;
   c) Communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report of the following month;
   d) Monitor the compliance of this circular through half-yearly internal audit and inspections of stock brokers; and
   e) Encourage investors to use SCORES for lodging their grievances.

6. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 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 the date of this circular.

7. This circular is available on SEBI website at www.SEBI.gov.in under the categories “Legal Framework” and “Circulars
Investor grievance redressal mechanism in SEBI

1. Securities and Exchange Board of India (SEBI) has been established with the prime mandate to protect the interest of investors in securities. It is also mandated to promote the development of, and to regulate the securities market.

2. An investor enjoys investing, if (i) he knows how to invest; (ii) he has full knowledge of the market; (iii) the market is safe and there are no miscreants; and (iv) there are arrangements to redress the grievances.

SEBI’s investor protection strategy has four elements.

3. First, the increasing capacity of investors through education and awareness to enable an investor to take informed investment decisions. SEBI ensure that the investor learns investing, from he obtains and uses information required for investing, evaluates various investment options to suit his specific goals, ascertains his rights and obligations in a particular investment, deals through registered intermediaries, takes necessary precautions, seeks help if he gets into any problem, etc. Towards this end, SEBI has been organizing investor education and awareness workshops directly, and through investor associations and market participants, and been encouraging market participants to organize similar programmes. It maintains an updated, comprehensive web site for education of investors. It publishes various kinds of cautions through media. It responds to the queries of investors through telephone, e-mails, letters, and in person for those who visit SEBI office

4. Second, the details relevant for investment are make available in public domain. SEBI has adopted disclosure based regulatory regime. Under this framework, issuers and intermediaries disclose relevant details about themselves, the products, the market and the regulations so that the investor can take informed investment decisions based on such disclosures. SEBI has prescribed and monitors various initial and continuous disclosures.

Third, the market ensures that the systems has practices which market transactions are safe.
SEBI has taken various measures, such as, dematerialization of securities, screen based trading system, T+2 rolling settlement, etc. The dematerialization of securities eliminated a large number of investor grievances emanating from servicing of paper based securities such as bad delivery of shares, delay/non-transfer of shares, etc. This facilitated migration from account period settlement to T+2 rolling settlement which reduced settlement risk substantially.

6. Fourth, SEBI has a comprehensive mechanism to facilitate redressal of investor grievances against intermediaries and listed companies. Helping investors in problem. It follows up with the companies and intermediaries who do not redress investors’ grievances, by sending reminders to them and having meetings with them. It takes appropriate enforcement actions (adjudication, prosecution proceedings, directions, etc.), as provided under the law where progress in redressal of investor grievances is not satisfactory. It has provided for a comprehensive arbitration mechanism in stock exchanges and depositories for resolution of disputes of the investors with brokers and depository participants. It has instituted investor protection funds at Exchanges to compensate investors where a broker is declared a defaulter. Depository indemnifies investors for loss due to negligence of depository or depository participant. Recently, SEBI has realized a disgorgement of unlawful gain of about Rs.30 crore and so far disbursed about Rs.24 crore among the investors who lost out in the IPO irregularities.

7. While SEBI has been taking various measures for the investor protection, this memorandum focuses on the investor grievance redressal mechanism available in SEBI, its performance, measures taken in recent years for expediting the redressal of investors’ grievances, difficulties in the existing system and improvements planned.

**Redressal of Investors’ Grievances**

8. The Office of Investor Assistance and Education (OIAE) acts as the single window interface, interacting with investors seeking assistance of SEBI. Investors can submit grievances either by post or hand delivery at any of the
SEBI office or by electronic mode (web or e-mail). All grievances received by SEBI (excluding those which refer/pertain to investigation) are individually acknowledged with unique number, which facilitates tracking.

9. Dedicated investor helpline telephone numbers (022-26449188 & 26449199) are available for investors seeking general guidance pertaining to securities markets and to provide assistance in filing grievances. Dedicated personnel manning the helpline also guide the investors in filing up the grievance submission forms as well as in determining the appropriate authority for their first recourse. Guidance is also provided to approach the appropriate authority if their grievance is outside the purview of SEBI.

10. **Grievances against listed companies:**

   The grievances lodged by investors are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the response of the company is insufficient /inadequate, follow up action is initiated.

11. **Grievances against stock brokers and depository participants:**

   Grievances pertaining to stock brokers and depository participants are taken up with concerned stock exchange and depository for redressal and monitored by the concerned department through periodic report obtained from them.

12. **Grievances against other intermediaries:**

   Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by concerned Department of SEBI.

**Performance**

13. During 2009-10, SEBI received 32,335 grievances from investors and resolved 42,742 grievances as compared to 57,580 grievances received and 75,989 grievances resolved in 2008-09. As on March 31, 2010 there were 1,60,593 grievances pending for resolution as compared to 1,71,000 unresolved grievances.
as on March 31, 2009. These include 1,22,713 grievances where appropriate enforcement actions have been initiated. The redressal of grievances during the last three years is as under: Grievances Received

<table>
<thead>
<tr>
<th>Grievances Received</th>
<th>Grievances Redressed</th>
<th>Pending Grievances at the end of period Year</th>
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**During the period Cumulative**

**During the period Cumulative Enforcement**

**Actions Initiated Being followed up**

14. It is clear from the above that the number of grievances being received by SEBI is reducing over the years. This is the direct outcome of systemic improvements being effected by SEBI. For example, the investors used to have grievances relating to refund on unsuccessful public issue applications. ASBA (Applications Supported by Blocked Amounts) was devised to obviate the need for refund in public issues and thereby avoid the grievances relating to refunds. This has reduced the large number of complaints pertaining to non-refund or delay in refund and misappropriation of refund money. It is also clear from the above table that the number of grievances being resolved is higher than the number of complaints being received. This is the direct outcome of additional efforts made in recent years.

15. The department wise details of pending grievances as on December 31, 2010 is as under:

**Grievances as on 31/12/2010**

16. While enforcement actions are being taken on the listed companies and CIS entities based on the pending grievances, various departments have been following up the redressal of grievances vigorously in recent years. Some of the initiatives taken by various departments in recent years are given in the following paragraphs.

**Measures taken**

17. Category I-V grievances (grievances against listed companies relating to non-receipt of refund/allotment, dividend, transfer of shares, etc.) are handled by
HO-OIAE and Regional Offices of SEBI. At HO-OIAE, a special drive was undertaken to expedite the redressal of grievances against listed companies.

17.1 **Grievances arising out of public issues:** In addition to following up the grievances with the companies, 32 Merchant Bankers to public issues of companies were advised in 2008-09 to arrange to redress expeditiously the grievances related to public issue they had intermediated. This resulted in redressal of 29,670 grievances pertaining to public issue.

17.6 **Issuance of No Objection Certificate (NoC):**

Companies raising capital through public issues of securities are required to deposit one percent of the issue amount with the designated stock exchange and this amount is released by the stock exchange only after SEBI issues the NoC. One of the criteria for issuance of NoC to the companies is the satisfactory redressal of the grievances received by SEBI against the company. Till 2007-08, NOCs were issued if 90% of the grievances were resolved. However, since 2008-09, SEBI is insisting resolution of 100% of the grievances received by SEBI.

17.7 **Information on Liquidated and Sick companies:**

It was observed that quite a few complaints were pending against companies declared sick or companies under liquidation. A special drive was undertaken 2008-09 to identify all such grievances and investors with these grievances were advised to approach the concerned

18. Category VI grievances (grievances against Collective Investment Scheme (CIS) are handled by regional offices and IMD-II at HO. The SEBI (CIS) Regulations, 1999 requires existing CIS entities who had not obtained registration to wind up their schemes, to repay their investors and file a detailed report with SEBI in this regard. However, many CIS entities neither obtained registration with SEBI nor wound up their schemes or repaid their investors in terms of Regulations. Against such entities SEBI initiated several actions including specific directions for repayment, debarment of the company, its promoters/ directors and persons-in-charge of its affairs from accessing the
securities market, initiation of criminal prosecution proceedings, reference to the Ministry of Corporate Affairs for initiation of winding up proceedings against the company and references to State Governments/ Economic Offences Wing for initiation of appropriate civil/criminal action against the companies. In certain cases, like in the matter of Golden Forests India Ltd., Supreme Court had appointed a Committee and pursuant to the directions of the Supreme Court, the committee had invited investor’s claims by fixing a cutoff date. Subsequently Supreme Court transferred case to Delhi High Court and the Delhi High Court has recorded that SEBI's concerns have been taken care of with the appointment of the committee which is working in the direct supervision of the court and therefore disposed of SEBI's petition.

19. Category VIIA grievances (grievances against Mutual Funds) are handled by IMD-II. IMD-II held meetings with the top 5 mutual funds viz., UTI, Reliance, SBI, ICICI and HDFC in January 2010 and has urged them to ensure speedy redressal of investor grievances. Due to this effort, about 1100 grievances were redressed in February, 2010.

20. Category VIIB – VIIF grievances (grievances relating VCFs, FVCIs, portfolio managers, FIIs) are handled by IMD-I.

21. Category VIII A and VIII B grievances (Grievances relating to brokers and sub-brokers) are handled by regional offices and MIRSD at HO.

21.1 Inspection of market intermediaries, such as, stock brokers, sub-brokers, depository participants, registrar and share transfer agents, etc., are being taken up based on the number of pending investor grievances. These inspections aim to ascertain the existing investor grievance redressal mechanism and to suggest improvements in the same for expeditious resolution of the grievances.

21.2 SEBI took meetings in 2008-09 with top 20 brokers (each region) in terms of the number of pending grievances at Chennai, Ahmedabad, Kolkata, Delhi and Mumbai offices. It took meetings in 2010-11 at Mumbai with the CMDs /CEOs of top 20 brokers-cum-DPs in terms of grievances (who account for
around 65% of the total complaints in this category). The intermediaries were advised to submit a write-up on their investor grievance redressal mechanism. Based on the submissions, suggestions were made to improve their grievance redressal mechanism. At the advice of SEBI in 2009-10, BSE and NSE called upon top 20 brokers by number of pending investor grievances to expedite the redressal process and set redressal target for the year. BSE and NSE have been advised in 2010-11 to follow up grievance redressal with top brokers. The stock exchanges and depositories have been advised in 2009-10 to display details of broker wise and DP wise receipt and resolution of investor grievances and the arbitrations on their website.

22. Category VIIIC-VIIIJ grievances (grievances against DPs, Registrars, merchant bankers, debenture trustee, banker to the issue, etc.) are handled by MIRSD.

23. Category IX grievances (grievances against stock exchanges, depositories and clearing and settlement organizations) are handled by MRD.

24. Category X grievances (grievances against derivative exchanges) are handled by DNPD. There is only one complaint pending for resolution in this category.

25. Category XI grievances (grievances pertaining to public issues (other than those covered under category I to V), takeover offers, buyback and delisting) are handled by CFD.

26. A special exercise was carried out during the year 2010-2011 to ascertain current status of 3379 pending complaints received long back. Merchant Bankers, who had handled the related issues/offers over last three years, were asked to provide the redressal status of the complaints which were forwarded by SEBI, in respect of such issues/offers.

27. Out of the 3379 pending complaints, a total of 1769 complaints pertained to one particular public issue and since the matter pertaining to that issue was sub-judice, nothing could be done. Hence all complaints pertaining to that public issue were closed. 463 complaints were closed based on the replies received from merchant bankers.
28. Letters (Business Card Reply exercise) were sent to the complainants of 1147 grievances asking for redressal status and nature of the complaint

CFD has received reply from 72 complainants only for redressal which are under process. The remaining complaints will be closed as no reply was received from the complainants.

29. Despite the best efforts of SEBI, many grievances cannot be resolved by SEBI or resolved to the satisfaction of the complainant. It is, therefore, possible that a grievance has been closed in SEBI’s records while the complainant still feels aggrieved. For example, a grievance cannot be resolved because the matter is sub-judice. Similarly, resolution of a grievance may require dispute resolution through arbitration. The Stock Exchange / Depository may have advised the complainant to go for arbitration. Instead of doing so, he may still be seeking a resolution from SEBI.

**Difficulties in the existing grievance redressal system**

30. The difficulties encountered in the existing system of investor grievances are given below:

30.1 **No centralized database:**

At present various grievances’ database are maintained at every divisions of SEBI and at every regional office of SEBI in addition to the existing database maintained by OIAE. In the absence of a centralized database, it is difficult to monitor the redressal status of grievances at various divisions of SEBI and also appraise the grievance status to the investors.

30.2 **Delay in redressal:**

Grievances are being received in various physical and electronic modes and receipt of these grievances are initially captured in SEBI’s inward system and then in OIAE’s database and then forwarded to concerned divisions/ ROs of SEBI which in turn, enter the same into their database before taking up the complaint with the Stock Exchanges or other intermediaries. This physical movement of grievances from one desk to various desks within SEBI results
into a considerable delay from the date of grievances received by SEBI till it reaches the final destination.

Ultimately the redressal of grievances commences only after a lapse of considerable time in physical movement of documents.

30.3 **Loss/ misplacement of records:**

As documents are moved within various offices of SEBI and then to intermediaries, there is a possibility for loss/ misplacement of grievance records.

30.4 **Storage:**

SEBI has received more than 2.7 million grievances since inception. Storage, maintenance and retrieval of these records are a herculean task and also occupy large space.

**Improvements planned**

31. SEBI is in the process of upgrading the investor grievance redressal mechanism. The upgraded mechanism SCORES (SEBI Complaints Redress System) would be a web-based, centralized grievance redress system for SEBI.

32. The salient features of the new system are:

   i. Centralised grievances tracking system for the entire SEBI.

   ii. Grievance pertaining to any of the Regional Offices of SEBI can be lodged from anywhere.

   iii. All grievances and Action Taken Report to be in electronic mode

   iv. Action taken and the current status of the grievance can be accessed online by the investors.

   v. Facility for online updation of Action Taken Reports.

33. SCORES will reduce grievance process time at SEBI since physical movements of grievances are not required. Similarly the grievance redressal time will be reduced since the entire process is in electronic mode, including action taken report submitted by the company/intermediary. The problems
arising from loss/misplacement of grievance records would be eliminated since grievances are available in electronic format. Similarly, the problem of physical storage, maintenance and redressal has also been addressed due to the proposed conversion of physical grievances into electronic mode.

Each grievance will be treated as resolved/closed only after SEBI’s satisfaction. As investors can track their grievance redressal status online, multiple correspondences from investors to know the status of their grievances are avoided.

34. The software for the new system is being developed by the National Informatics Centre (NIC), Ministry of Information Technology, New Delhi.

35. Presentation on SCORES was given to representatives of Stock Exchanges, Depositories, Stock Brokers, Registrars and Depository Participants to create awareness and get suggestions/comments from the participants. Feedback and suggestions were obtained from the various departments of SEBI on SCORES.

36. As a comprehensive list of listed companies is currently not available with SEBI, it is essential to have this list for lodging grievances against them on SCORES. In view of the above, a separate database is being developed based on the data obtained from Stock Exchanges. Formats for various categories of grievances received by SEBI, Action Taken Reports by the companies/intermediaries and flow of grievances within SEBI, its regional offices and intermediaries have been developed.

37. A demonstration on SCORES was given to the division chiefs and dealing officers of various departments of SEBI on the modules developed viz. how to lodge a grievance, the Action taken report format, etc. A similar demonstration was also given to Stock Exchanges, Depositories, RTAs and companies forming part of NIFTY and SENSEX.

38. Subsequent to the demonstration, parallel processing in SCORES has commenced for grievances against stock brokers and depository participants since September 15, 2010 and for NIFTY and SENSEX companies from December 12, 2010 for testing the software.
39. The development of various query modules, MIS reports and standardized letters to be issued to the complainants for different status of grievances are in progress.

40. This memorandum is submitted for information of and guidance from the Board. SEBI guidelines for investor protection in secondary market

As per SEBI Act, no broker or sub-broker or other intermediaries can deal in securities unless he is registered with SEBI.

**Investor protection against secondary market**

Government of India and SEBI have been stressing upon the need for regulating the secondary market and bringing transparency in transactions on the floor of stock exchanges.

The steps taken by SEBI to regulate and control the business of stock exchanges are as under:

1. New guidelines on insider trading with the object to curb it completely and punish the guilty.
2. Uniform trading hours at all the stock exchanges in the country to check arbitrage.
3. Registration of members

Registration of members and other intermediaries so as to have access/inspection of their books, records and verification of transaction.

4. Compulsory audit of accounts of all members brokers and registered intermediaries by practising chartered accountants.
5. Inspection of stock exchange operations
6. Indirect supervision through stock exchanges in day to day business by fixing margins, imposing curbs, penalties and fines.
7. Gradual automation to reduce paper work and ensure transparency in transactions.
**Legislative protection to investors:**

The companies act and the listing agreement of the stock exchanges provide certain safe guards to investors.

The normal complaints against companies and the protection available are given below:

<table>
<thead>
<tr>
<th>Complaints</th>
<th>Legislative provision</th>
<th>Relief provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in refund of excess application money or allotment letters</td>
<td>Sec.73 of the companies act as amended by the amendment act of 1988</td>
<td>Payment of interest for the delayed period beyond 70 days from the closure of subscription @15%</td>
</tr>
<tr>
<td>Delay in transfer of shares</td>
<td>Sec.111 of the companies act</td>
<td>A time limit of 2 months provided in the Act for effecting transfer. As per the listing agreement, the time limit is only 1 month from the lodgement of shares.</td>
</tr>
<tr>
<td>Refusal to transfer shares</td>
<td>Sec.22(A) of SCRA. This sec. lists the reason for which transfer of shares can be refused.</td>
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agreement SEBI rules on take over bids. stock exchange. acquisition beyond 10% puts an obligation on the transferor and transferee and intermediary to notify the stock exchange and the public and offer to the other share holders of the company to buy at their price or the highest market price during the preceding 6 months.

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**Redressal of investors grievance**

1. In view of the large number of investor complaints the department of company affairs has toned up the machinery of handling these complaints and has also decided to take strict action against the errant companies. In the recent past, apart from initiating penal action as per law against 58 selected companies, the procedure of handling these complaints has also been streamlined. A fully computerized system of processing has been introduced and the companies would bow be requested to give feedback regarding the action taken on each complaint with in a stipulated time frame and on computerized printed stationery to be sent by the department of company affairs. Senior officers of
the ministry are carefully monitoring the progress of action taken on investor complaints.

2. The department of company affairs has also achieved a fair degree of success in settling investors complaints and recently over 100 complaints have been resolved satisfactorily by 140 companies.

3. In order to ensure expenditure reporting and settlement of complaints, it has been decided that senior officer of the department would hold meetings with companies against whom there are large number of complaints. So as to ensure that these companies report satisfactorily settlement of pending issue such as non-refund of application money etc. the department has selected 12 companies for such intensive monitoring. The joint secretary, in charge of the investors protection cell, would also be visiting Bombay for one such meeting.

4. The objective is to ensure that individual investors complaints are satisfactorily resolved and that the complaints are informed accordingly. Incase where the companies do not respond and show tardy progress in settlement of companies, penal action against the company would be taken under the provisions of the companies Act. Incase where the registrars to the issue have not performed satisfactorily their non-performance in settling complaints would be reported to the SEBI for appropriate action against such registrars.

5. The computer system has been designed and maintained by the NIC. A module has been designed for sending the details of the complaints to the companies on floppy disc. The companies would be requested to indicate the latest status against each complaint on the floppy itself. In this manner the computer system at the investors protection cell would be able to automatically up-date the status of various complaints and also generate communication to the investors.

Protection in the new issues market

The main source of trading in new issues market can done through prospectus, which should be true and does not involve any false statements. If there are any false statement or fraud then it is punishable. Under the companies act the
directors are subject to civil liability for any mis-statement of facts or untrue statements.

Without having a proper reading over the prospectus the investor should not go for investment because if the very basic proof, that prospectus is not clear and was false means and even if the investor found out it after he was purchased, he cannot be saved with clarifications about his financial existency. Hence the investors must look into prospectus clearly and find out the risk before he go for that particular project of investment.

**Investor protection against the new schemes and intermediaries by SEBI**

**Stock invest scheme:**

The stock invest scheme was designed by SEBI in consultation with RBI and bank as an additional facility for making application for new issues. The investor must maintain a bank account to buy shares through stock invest. Normally the account continues to earn interest for four months.

The SEBI has been fixed lock in period against stock invest scheme to protect the interest of the investors. As if like other issues the stock invest scheme is also on the basis of abridged prospectus. For each issue there should be an interval of 12 months private placement is banned in this scheme. Based on the options conversions are available in this scheme. SEBI initiates regulations towards stock invest scheme. They were allowed to issue only rated instruments, strict control over insider trading and price rigging is enhanced here. Like stock broking the stock invest scheme also had the facility of depository system. New, good and bad delivery norms are prescribed for the benefit of investors.

2. Incase of delay in transfer of shares and non-receipt of funds the SEBI will take legal action against the company by filing a complaint. The case has been filed u/s 73(2) and 113(2) of the companies Act 1956.

Sec 73(2) is about irregular allotment and sec 113(2) relates to the limitation of time of issue of share certificates.
3. SEBI have stated to the financial institutions and corporations to have disclose their financial statements to make protection to the investors. u/s 36(1) they may get income tax exception from the concerned state government.

4. SEBI had also have measures towards investor protection against merchant bankers. The merchant banker must be a registered intermediary. To have compliance there should be some instructions to be noted are as follows:
   a. validity of acknowledge card is for 3 months to be filed with registrar of companies.
   b. revision of due diligence certificate.
   c. compliance certificate should be submitted in the prescribed format, submission of post issue certificate is done interms of circular No.MB(1)/91, dated jan 4. 1991.

5. a certificate from the chartered accountant or company secretary in practice to effect the promoters contribution. The certificate should include about the promoters friends, relatives, and associates names and addresses along with the subscription made by each of them.

6. listing requirements: As per SEBI amendment of Bombay stock exchange rules additional documents required are to be submitted to the stock exchange. The documents include acknowledgement card indicating the observations on the draft prospectus by SEBI. Certificate from merchant banker acting as an intermediary to get positive compliance by the company to get positive compliance by the company to have disclosure and investor protection.

7. NRI Applications:
   The prospectus should disclose the source from where the NRI applicants can get application. As per the RBI reservations to the NRI's the applications accompanied by payment must be in convertible accounts only. Hence the application forms accompanied by cheques are liable to be rejected. The payment are made through NRE/FCNR accounts or through changes or draft
sent from abroad and drawn an convertible rupee accounts in India. They meant apply in the form specifically meant for them.

8. Uniform pricing

The promoters contribution must be in the same price as to the public. Incase it is already brought in equity at pat no option of getting others but the public issue may also at par. SEBI may have no objection in giving premium on the shares issued, such proposal to the company may comply on the provisions of the companies Act.

9. Advertisement must contain the risk factors associated in respect of the concerned issue.

10. Post issue follow up must be given to SEBI stating about the omission or commission on the part of registrars noticed during inspection.

11. The unclaimed dividends must be transferred to the general reserve account of the government of india. SEBI’s regional stock exchanges or department of company affairs are required address grievances of investors in this regard.

12. Reservation in allotments: 50% of the net offer of securities to the public are made available to the individual applicants, applied for 1000 or less than 1000 securities offered. The balance 50% of the offer is allotted to investors including corporate bodies / institutions and individual applicants who have applied for allotment of more than 1000 securities. The unsubscribed portion is transferred to any other category. This would enable others other than individual investors in the public issue.

13. Prospectus are been made public before one week of the opening of the issue. Lead manager is responsible to file 10 copies each of draft prospectus with SEBI and stock exchange. They may charge an appropriate sum from whom demanding the prospectus.

14. Refunds within 30 days must be made than in 70 days to make trading process faster.
15. The aggrieved investors can send their complaints in connection with securities to the concerned stock exchange grievances cell.

The cell also looks to the complaints against members of the exchange. The cells have been functioning as a forwarding post office without any penalty for non-performance.

16. Investors associations are formed to give awareness to the investors about the issue and the importance of prospectus.

17. SEBI may have collaboration with the investor association to get complaints and take remedy on it. Through a single suit a large number of common grievances are settled.

The SEBI publishes the name of top 20 defaulting companies every fortnight to put pressure on companies follow up the complaints the SEBI may charge penalty to the companies. In case of inconsistency of large number of complaints against a company the risk factor is incorporated in the offer document of its subsequent capital issues.

SEBI may also take action against the consistent defaulters of various stock exchanges from time to time. The current redressal rate of complaints has gone up to 58%.

18. Investor centres are created for the investors to take a mature decision on investment.

The objectives of such centres are:

a. Education of investors.

b. Training investors through seminars, workshops, and etc.

c. Dissemination of information

d. Research based activities

e. Library facilities

f. Providing PTI scan monitor about stocks for instant rates of stock prices.
19. Investors in cities other than mandatory centres can directly forward their applications to the registrar to issue.

20. SEBI may have guidance note on the illegal transactions to the investing public. The investors should be aware of the modus operandi of these players and guard themselves.

21. SEBI receives about 30000 complaints every fortnight, complaints are categorized in types. SEBI had a decentralized complaint redressal to regional offices at New Delhi, Madras and Calcutta.

22. The investors complaints are computerized hence remedies can taken at easy. The department of company affairs has taken strict action against errant complaints senior officers are appointed to take remedial action.

The company showing not response and tardy progress are legally punished under the provisions of the companies Act. The non –performance on the part of Department of company affairs are reported to SEBI.

The complaints are send through floppy disk to the concerned authority. In this manner the computer system at the investor protection cell would be able to automatically update the status of various complaints and also generate communications to the investors.

23. Investor complaint format are specially designed to submit before SEBI.

24. SEBI have issued regulations on prohibition of fraudulent and unfair trade practices relating to secondary market.

   Prohibits fraudulent and unfair trade practice involves market manipulation. Artificially raising, depressing or stabilizing the prices of the securities are not allowed, transactions of not genuine nature is restricted, purchase or sale of any security which does not effect transfer or any beneficial interest may if cause inflation, depression, fluctuation in the market prices of securities are not accepted to protect better the interest of investors.

   Pays or offers directly or indirectly to any person with the sole object of making market fluctuations in the prices of securities are not accepted.
False or misleading statements:

No person shall make a statement, disseminate information which may induce the sale of securities which does not help to have a stabilization over the price of securities.

As if like prohibition of misleading statement, prohibition of unfair trade practices in connection with business is restricted. Sale, purchase or deal in securities for the order of the client or for his company or director may turn to pending about the orders.

Delays in transfer of securities to the transferee may cause to increase its price. Without having rights looking into the books of accounts, records may lead to market manipulation.

Executing with an agent other than the price not prescribed at the stock exchange, or the price which would have fixed for another client may lead to manipulations. All these trading activities are not enhanced to have restriction over the investor exploitation.

25. There are innovations in the investor service, and caring for investor by companies occupies an important role in the healthy development of capital market. Various companies innovated and implemented ideas to provide quality service to its investors.
   a. investor service centre.
   b. buy-back of non convertible securities.
   c. lodgement centre for right issues.
   d. lodgement of debenture certificate for redemption
   e. spot endorsement for money paid
   f. investor information
   g. library and reading facilities.
   h. investment counseling

26. Types of investor grievances:
Misleading advertisement by companies, brokers, intermediaries or other publicity material inviting application for the public subscription of securities may not be a part of prospectus or letter of offer.

a. Grievance

The investors have complaints about the advertisement, circular, brochure which contain exaggerated claims about the performance of the company though widely available and distributed it is marked about its exaggeration but the investor may not listened to it. Likewise the companies offers like dividend, prospectus capital appreciation etc had also been made. New papers may also give bright light to the picture. But all these acts can only lead to investor exploitation and later be it in the form of complaints.

Rights:

The investor have a right to receive true and adequate disclosure regarding the public issue. The department of company affairs may have a proforma about the disclosure of prospectus which may follow by the companies. If the company promoter are not willing to apply those proforma, they can have as their own on their own risk.

In the interest of dissemination of factual information for the benefit of investing public the companies and other agencies connected with the public issue may give publicly through various medias such as newspapers, posters, hoarding etc, about the public issue of capital.

The proforma is as follows:

a. Name of the company and address of the registered office
b. Existing location of the industry
c. Board of directors, managing director or manager
d. Authorized capital, subscribed capital, proposed issue to the public (par, discount or premium)
e. Date of opening and closing of subscription list.
f. Application forms along with the copies of prospectus can be had from underwriters/bankers/brokers at whose name and address are given below: the government is of the opinion that no company is permitted to publish either themselves or through any of its issue houses materials relating to the opening and closing of its subscription list.

The company management are advised to restrain themselves from at the time of their press conference too rosy a picture about the prospectus of the company. Unsupported by facts or objective estimates.

Once an issue is over, the rest of the issue can be invited to the public. These advertisement are regulated by the issuance rules called NBFC, miscellaneous non-banking companies (Ad) rules, 1977”

Remedies:

According to companies Act 1956a person or a company who induces public to invest their money fraudulently may have imposed by penalty. This section also stipulates that “any person who either by knowingly or recklessly makes any statement, promise of forecast which is false, deceptive or mislead by any dishonest concealment of material fact induces or attempts to induce another person to enter into or to offer to enter into any agreement with a view to acquire, dispose of subscribing for underwriting shares or debentures shall be punishable with imprisonment for a term which may exceed to 5 years or with fine which may extend to Rs.10000 or with both.

Sec.62 gives right to shareholder to take criminal proceedings before the court for any violation committed by the company or its officer in default as per the companies Act.

MRTP ACT:

Once the fact of unfair trade practice is established the MRTP commission issues ‘cease and desist’ orders against the company.
The investors file their complaints before the district forum, state commission or national commission established under sec.9 of COPRA. The complaints have been filed as per the value of the investment. If the investment is less than Rs. 1 lakh rupee then it has to be filed with district forum. If it is more than Rs. 10 lakh then with the state commission, the complaint can be filed by the complainant either individually or through any of the investor association registered under companies act or through any other law. District forum operates in almost all the districts throughout India.

iv. the publicity materials about a company, its ad, brochures, circulars etc have been managed by a lead manager of the issue, hence if any default in that the investor can make complaint to the SEBI. SEBI had also achieved a fair amount of success in regulating the contents of publicity materials. The SEBI is empowered to take criminal proceedings against the companies, Officers in default, and intermediaries.

Pending litigation grants statutory powers to SEBI to take the matter with the department of company affairs to amend the provisions of companies act to regulate the disclosure of the companies circulars, brochures highlights.

v. stock exchange

as per the government guidelines the investors can bring to the notice of the SEBI about the mislead advertisement or activities of any of the company or intermediaries. If the company is a listed one then its listing is cancelled, there by securities cannot be traded.

The company must later give additional application to SEBI to continue its business, dated 22nd may 1986.

27. disclosure in prospectus:

Prospectus is a document disclosing about the invitation of application of share issue to the public. It contains adequate disclosure about the company
inclusive of its risks factors to make an informed decision on the part of the investors.

**Grievance**

Prospectus often does not contain full particulars about the progress of the company nor does it have the risk factors of the company. Again the prospectus does not discloses the associates or auditors statement regarding the already issued debentures. The investor could be contented with his investment decision on incomplete facts and information.

**Rights**

Sec. 2 (36) of the companies act defines prospectus as “any document described or issued as a prospectus and includes any notice, circular, ads or other document inviting public offer for the subscription of shares or debentures of a body corporate.”

Sec. 56 describes that a prospectus should state the matters specified in schedule II of the companies act. It is necessary for the company by virtue of sec. 56 (3)to issue along with the application a memorandum containing the salient features of the prospectus. SEBI had in view that the inadequacy of disclosures as per schedule II must be given in a revised draft format as stated by the department of company affairs. The company must register its prospectus with registrar of companies (ROC) and must issue the copies to the requiring investors.

**Administrative measures**

The prospectus must be registered with the ROC. In the contravention of any rules or laws included in the prospectus draft prospectus must be sent for scrutiny. SEBI may scrutinizes it and make sure that it is adequate to the investors, suggestions of SEBI may invariably incorporated in the prospectus.

SEBI has by its circular begun to grade the prospectus in at A,B, and C categories according to the standard of information disseminated to the public.

SEBI with regard to its guidelines dated 11th June 1992 several disclosures in the prospectus and the abridged prospectus to be made.
Remedies

Companies act.

The investors can claim compensation for the loss suffered by them due to the misstatements made in the prospectus. Sec. 62 lays down the civil liabilities for mis-statement in prospectus. u/s 62 every director named in the prospectus, the promoter and the person authorizing prospectus shall be liable to pay compensation to every person who have subscribed the shares or debentures on the basis of the statement in the prospectus and the losses or damages may have been sustained by reason of any untrue statement.

Sec. 63 of the act lays down the criminal liability for mis-statement in the prospectus of any untrue statement, every person who authorizes the issue of the prospectus shall be punishable with imprisonment of 2 years or with fine which may extend to Rs. 5000 or with both till the time that they were believed that the statement was true. As per the above sec. the investor can go for criminal proceedings.

Sec 621 of the act says that the investor can file criminal proceedings for the violation of companies act. The investor may inform to the registrar of companies for filing prosecutions u/s 621.

SEBI

The investor can write to SEBI incase of mis-statements or suppressions of prospectus. SEBI can take actions against the lead manager who may not have proper due diligence while verifying the prospectus. The lead merchant banker can be awarded penalty or de-authorisation. Once statutory powers are granted to SEBI they can take criminal proceedings against the companies default.

28. Delay in listing of securities

Usually a company should state prominently on the face of the prospectus that an application has been made to one or more stock exchange for listing of shares or debentures offered for subscription. Listing ensures that those securities are
marketable with assurance. Delay in listing of securities does not mean that it could not be bought but can be purchased and listing can be granted later.

**Grievance**

Completion of listing formalities becomes a precondition to trade share or debentures of the company. Sometimes it causes delay in that process to get completed by the stock exchange. Thereby the investors are affected by non-allotment of shares and non-refund of application money. Hence the trading agreement between the company and the investor becomes void.

**Rights**

Sec 73 says that every company intending to offer shares or debentures to the public must get prior sanction of listing by the stock exchange.

**Administrative measures:**

Very rarely listing formalities are completed quickly due to the delay on submission of its application by the banker to an issue. While engaging in the issue process banker to an issue receives allotment money and application form from various branches of the banks and have a time limit of 10 weeks for the completion of the process.

SEBI has given advice of collection of subscription list in its circular. Thereby collection from various branches must be completed with in two weeks before the completion of subscription so that the designated branches can send the final list to the manager to an issue. But most rarely the rules are adhered at time.

**Remedies**

1. The company must get permission of listing before 10 weeks of the subscription list. In the breach of this act the investor can write to the department of company affairs. The registrar of companies will take criminal proceedings against the company.

2. The investors can also approach SEBI to get remedy. In the absence of getting statutory powers by SEBI it may approach the department of company affairs and controller of capital issues for taking appropriate action. Once SEBI has
been granted the same it may file criminal proceedings against the companies or officers who may be involved in default.

SEBI has asked stock exchange to influence more powers in refunding of deposits with listing applications. It could be refunded by the stock exchange after fully satisfied by the compliance. If a company delayed in all its proceedings with regard to a security then it is forfeited. Now a lot of exceptions over this problem.

u/s 22 of the SCRA act companies have a right to appear against stock exchange in the delay of listing.

Stock exchange decision is empowered to issue directions to the securities contract regulation Act the complaints of delay in listing there by reaches to them to get a better remedy.

29. Delay in dispatch of allotment letters/ refund orders.

It is mandatory to the company for the proper dispatch of allotment letter and certificates, refunds orders to the applicants. It should be despatched in 8 days or 10 weeks of the closing of the subscription whichever is earlier.

Grievance

The investors have given genuine nature of complaints to SEBI in large numbers in the absence of statue of timely dispatch of allotment letters or refund orders.

Rights

Sec. 73 (a) says that though the company has got proper listing at time and does not make allotment application and refund order at regular must refund all within 8 days as said to them. Without interest. If it exceeds that time limit the interest have been charged against the company at different percentages.

Government of India, stock exchange division, directs the company to pay interest for the delayed period. The refund orders must be marked “Account payee” and the place where it is encashed be the place of the applicant. All the above said materials are sent through registered post. With a view to safeguard the interest of the investors complaint of delay, non-receipt should be investigated and outcome
must be made known to the investors expeditiously serious cases were recommended to ROC and stock exchange division to take suitable action.

New conditions are introduced to ensure proper compliance are as follows:

The company shall adhere the time limit.

The company before filing must take proper compliance of the schemes introduced. This undertaking should be signed by chief executive or a person authorized by the board of the company.

Non-compliance with punished by the stock exchange by taking appropriate actions.

**Stock exchange**

Sometimes the company may have sent letter of regret earlier than letter of allotment, so proper press release should be there on that matter.

**Remedies**

Companies act u/s 74 2A investors can claim interest at the prescribed rate, in the delay of refund orders.

Sec. 73(2B) charges penalty for default from the company and every officer of the company has been punished to the extent of Rs. 5000.

If the repayment has not made within 6 months from the expiry of 8th day the punishment may also include imprisonment of 1 year. A shareholder may file criminal proceeding in the absence of breach of payment of default money or imprisonment.

**SEBI**

Investors can forward their complaints to department of company affairs controller of capital issues in the absence of statutory limit with SEBI. Otherwise SEBI may take care of the criminal proceedings.

**COPRA**

The aggrieved investor can file for non-receipt or delay in refund order against the company u/s 12 of COPRA. The complaint have been filed before the
district forum, state or national commission. Depends upon the jurisdiction of the claim.

30. delay in dispatch of securities:

The share certificate under the seal of a company is a documentary evidence of the proof of the shareholder. The share certificate declares that the person is as registered holder of shares and paid for it to that extent.

**Grievance**

Delay in dispatch of the same may lead to complain on the behalf of the investors. Inspite of sending feedback of the company the investors or their investor may file their complaint to the company.

**Rights**

Companies act: sec 113 of the act 1956 provides to the company unless there were restriction from any law or court or tribunal or other authority shall within three months after allotment of its securities deliver as per sec.53. there may be an extension of 9 months is given to deliver the concerned securities certificate u/s113(1)

**Administrative measures**

The refund orders, allotment letters, certificates are send only through registered post by the companies in case of listing or delisting to stock exchanges. Stock exchanges are hereby directed to take steps to ensure compliance on the above instructions u/s113(1) if there may occur default again then it is punishable.

**Remedies**

Sec 113 provides a summary remedy to an investor who can make reference to the company law board. The investor in delay of serving certificate can first approach the company and should serve notice within 10 days of notice the company should send it otherwise it may be enquired by the company law board. The company law board may later find out the default committed by the company or officer and shall be punished.
Non-compliance on the part of companies act can take up to registrar of companies.

**SEBI**

Investors can forward their complaints to SEBI. SEBI will enquire it, if not statutory powers vested with SEBI it may be proceeded by the DCOA or controller of capital issues on appropriate cases brought at the statutory bases, once SEBI has been granted power they will take criminal proceedings. A certificate should given by the company after despatches have been completed only then the securities will be listed with the stock exchange.

31. **Delay in transfer of securities**

   The share/debenture holder should not be able to sell their securities but can transfer it in the name of the transferee. The transferee can get in his name by the company to enjoy benefits out of the securities.

**Grievance**

   Though the transferee had the right of transference and registration of securities, he may not received it at the right time. During the interviewing period he may get the benefits like bonus, rights, dividend etc but as the transference were delayed he does get anything. This would causes grievance.

**Rights**

**Companies act**

   If a company refuses transfer of shares or interest or debentures of a member within 2 months of notice of transmission it may send the refusal notice to its members stating the reason of refusal. The sec113 provides that every company shall within 2 months of transfer of shares, debentures, debenture stock deliver the certificates within the prescribed time sec.53.

   Incase of debenture and debenture stock as per sec.113(1) they can extend the period to a further period of 9 months depending upon the satisfaction of cases by the company law board.
SCRA

Sec 22A of the SCRA 1956 refusal of registration of transfer may causes on 4 grounds.

The instrument of transfer is not duly stamped and executed and not the certificate relating to scrutiny been delivered to the company or such transfer is not compelled under the law.

The transfer can be in contravention of law

The transfer of security is prohibited by any order of any court, tribunal or other authority under any law.

The transfer could only be strengthen by the BOD. Hence it should be clear to them that it is beneficial to the company or public. Based on the composition of BOD only they can decide.

SC(R) Rules.

The transfer can be effected while at the time of listing. The certificates could be probably transferred within 1 month and the balance could be transferred and issued in the same period accompanied by a larger certificate.

Administrative measures

The investors had the right of receiving the certificates transfer, division, lodgement, consolidation, renewal, exchange or endorsement of calls/allotment monies within the time limit allotted. The trading should autographically strengthen such transfer by approved directors or the official of the company.

Remedies

Companies Act

The investor can file against the company law board about the refusal of their requirement. Thereby with in the time limit the company law board will try to effect their necessity with in the time limit of 4 months, based on the notice of transmission of the securities.
An appeal can be made within 2 months of the notice of refusal if not notice has been sent by the company then it could be within 4 months.

If the investor want rectification of the register may apply to company law board.

The company law board either dismiss the refusal or either send proper due diligence to the aggrieved party within 10 days.

**SCRA**

The company must submit the transfer documents effecting the details about transferor and transferee within 2 months to the company law board. Otherwise they may be punished with a fine of Rs.5000 or imprisonment against the officer /company for such default.

**Stock exchange**

Investors can forward their complaints to stock exchange. Due to the violation of law the stock exchange may cancel their listing agreement or may take provision against such default.

**COPRA**

The investors can file complaints before the district forum, state commission or National commission depending upon the value of rupees. The complaint can be voluntarily registered by a person in his personal capacity or through the investors association can do the same.

**SEBI**

The SEBI may take criminal proceedings against the company. Mean while SEBI gets statutory power it may be handled with appropriate rules by DCOA and controller of capital issue against the company.

32. trading in odd lots

The investors may some times have traded shares or debentures in odd lots known as tradable lots but its liquidity is restricted or interests to be given to them are not given.
Grievance

Odd lots are bought by the investors from companies while at the time of consolidation of holdings. The investor also had the option of conversion of the same or splitting of the same. The odd lots are in the form of shares or debentures. They may get only 15% to 20% more from which they would have traded for, from the market price.

Administrative measures

The companies issues certificate to the investors to the extent possible by them.

Its transfer and consolidation are strengthened by the company. The company aggregate the total lots and distributes it in to a pro-rata basis to its investors. They also request the investors for its encashment at proper time. The stock exchanges may appoint an assignee for encashing these marketable lots and later only it has been distributed to the original shareholders at pro-rata.

Remedy

During Saturday’s the BSE have allotted time to facilitate the dealings of odd lots amongst their members. The other stock exchanges like Ahmedabad, Delhi and Calcutta have initiated this facility. For doing the above said function BSE has appointed some of its authorized dealers.

Financial institutions have framed odd lot schemes and investors can be benefitted out of it.

Odd lot schemes of general insurance corporation limited:

GIC and its subsidiary company have made a scheme for direct purchase of odd lots of equity shares of selected companies at closing market price of the previous day or at the floor price whichever is lower. During 1988 the odd lot scheme was extended to 255 scrips. The investors have to send their offers in a prescribed format together with transfer forms completed and executed. The odd lot may purchased on the closing price of the previous day by deducting fee of 3% of
the value of the lots as administrative lots. After confirmation of the offer document and transfer the payment is made over to the odd lot holders, by the company.

Odd lot scheme of Can Bank Financial Services Limited.

The list of securities are displayed at the Can Bank counter on day-to-day basis. The odd lots can be bought from the counter between 11am to 12.30 pm, on all working days of BSE on those days the purchase is for a price on particular day with the restriction that the number of shares and price should not exceed Rs. 20 and 200. After a month only payments are made to the investors. During that break the company may verify the share certificate by them. Payment are made on an average of the previous day quotation.

Under an instant payment facility of its client, the customer should submit transfer form duly attested by the branch manager and receive payments for purchase on the next counter working day. A fee of 2% will be charged besides service charge of 5%.

Odd lot scheme of UTI

In this scheme the odd lot shares are purchased on the basis of closing market price of the previous trading day. The scheme offers 150 shares and 55 debentures. Like before the investors must obtain their share certificates after purchase hence it should be furnished by proper offer document and transfer deed. The units are allotted at a price prevalent under the scheme on the date of acceptance of applications at the counter. The odd lots all together minimized in to small lots hence the balance amount will be dispatched to the investors through cheque or bank draft along with the application. Unit certificate will be issued after the deed or debenture is found accepted by the company.

Odd lot scheme of company:

The shares demanded by the company are consolidated into marketable lots in the name of the assigned nominees on a first come first served basis and are sold in the open market in consultation with the nominees. Members like to sell the odd lots must send their certificates to the assignee of the company. Like all schemes the companies also provide shares by issuing share certificates. The related documents
must duly filled in. After the sales are realized the shareholders can get the proceeds reduced expenses include stamp duty, brokerage bank charges etc.

The company should create a trust for disposing off the shares of its members.

33. Market transactions

Investor buys or sells securities in the secondary market through the services of a broker of a recognized stock exchange.

Grievance

Here disputes arises between the investor or broker or sub-broker. The investors have complaints against non-receipt of or delay in receipt of securities after payment. Excess brokerage, short or delayed payment, non-furnishing of contract notes. Selling of securities having forged signature or counterfoils or if the validity of the transfer forms have been expired.

Administrative measures

Stock exchanges should set a suitable mechanism for solving grievances of the investors and should been properly staffed, financed and publicized.

Each stock exchange has an investor grievance cell which handles complaints against the member-broker and also against listed company. To settle the grievances every stock exchange has an arbitration committee. The byelaws of the stock exchange had a provision to have an arbitration committee against the malpractices between broker and an investor. The arbitration fee must be given to the arbitrator for settling the disputes of the investors.

Remedy

The investor can make their complaints to the stock exchange where the broker is as member. The stock exchange where the broker is a member. The stock exchange try to amicably settle the dispute through the investor grievance cell. They will take disciplinary action and if necessary will penalize the erring member by giving warning, fine and suspension. Incase of the non-satisfaction of investors over
arbitration settlement they can move for other applicable provisions of the stock
exchange.

Civil court

The investor can file a civil suit with in whose particular jurisdiction the
dispute arises.

34. Sub-brokers

The sub brokers are authorized by the member broker of the stock exchange
to act on his behalf. The investors can enter into transactions with sub broker on the
basis of authorized contract notes. Those contract notes must be signed by the
member broker.

Stock exchange have introduced a scheme of registration of sub-brokers on
urgency

Registration of sub broker has been cancelled if he had been found guilty or

The sub-broker must operate through only one member of the stock
exchange.

The sub broker must maintain books of accounts, and other documents such
as register of transactions, clients ledger, cash book, bank pass book and documents
register.

Remedy

The investor cannot get remedy to file a civil suit against sub-broker on his
issue of contract note which was not honoured by the broker. Pending guidelines
must be implemented to get solution.

Stock exchange

The investor after implementation can directly enter into a contract with the
sub-brokers registered by the stock exchange.
35. Bad delivery

a. Company returns the securities with relative transfer deeds as being defective to the investor without registering the transfers. A major portion of bad deliveries are due to differences in the signature of the transferors. The investor may get in touch with an introducing broker who may had contact with other brokers introduced the securities. The seller broker takes 3-4 months or more to remove the defect and deliver the securities to the investor. The time taken to solve the defects get more if more than one broker of different stock exchanges are involved.

b. On many occasions the company returns the transfer document and securities which are deemed to be fit for registration of the transfer.

c. remedies the stock exchange had in its byelaws that if the buyer broker had the provision to get the money at the ruling price, if the seller broker does not remove the defects. Hence the seller broker must return the transfer deeds along with securities to the buyer broker. According to byelaws and regulations of stock exchange the seller brokers absence of repayment of securities the buyer brokers bears the cost and risks. Thereby the investors can next time purchase the new securities at fresh delivery in replacement of defective shares and entitled for dividends, rights and bonus shares.

Through the investor can make his complaint to the stock exchange about the defectiveness in the document of where the broker is a member. Stock exchange takes action against the concerned broker and company by necessary. Even after verification of the documents which are ready for registration are once again returned to the investors than they can make complaints against the company where they have listed.

Companies act

The company without jurisdiction wrongfully returns the transfer documents to gether with the securities or inordinately delays in dealings with the request for transfer of shares, the aggrieved investor can approach the company law board.
36. Default by a broker

If a member broker is unable to meet his financial liabilities the stock exchanges declared him as a defaulter. Consequently he ceases to be a member of the exchange and also cease to enjoy any of the rights and privileges of membership but the rights of his creditor members on him remains unimpaired. Once a broker is declared a defaulter he may lose his securities and incur financial loss.

1. After the member broker is declared as a defaulter the investor or through him who have bought securities cannot receive it or its money on its sale even that broker have executed the contract notes in this behalf.

2. The name of the defaulting broker is displayed on the notice board of the stock exchange. The investor therefore in his own interest should verify whether with whom they are transacting has been declared a defaulter. The defaulters committee constituted by the stock exchange may handle the consequences. That committee proceeds to realize the security and also the securities in his possession. They also takes steps to recover cash, securities and other assets of the brokers. The net assets recovered are used to satisfy the claims of the stock exchange, clearing house and then the balance are used to distribute rateably amongst the member whose claims have been admitted. Even after if any security or assets remains it would be used to distribute amongst the clients at rateably.

3. An investor has the right to apply to the stock exchange to get the investor protection fund incase of the default of the member broker.

Remedies

a. Stock exchange

The investors are required to submit a claim against the defaulted member broker with the stock exchange where he was a broker. As per the byelaws of the stock exchange. The claims examined to know its genuineness and settles the money depending on its availability. Any investor can apply for the receipt of money from the investor protection fund subject to a ceiling of Rs.15000.
b. **SEBI**

The investor can make his complaints to SEBI. The complaints are taken up with the stock exchanges and takes appropriate action. In the absence of granting power to SEBI it would have been persuaded by the stock exchange division or the government of India.

**37. Delay in payment of interest on debentures**

The investors may invest in debentures to get regular interest because it is riskless and secured while making investment on debentures the investor should be aware as to whether the company is a healthy company or a sick company and verify the credit rating that has to be obtained before issue of such debentures.

**1. Grievance**

The investors can complaint of non-receipt or delay in the receipt of debenture certificate or interest. Sometimes the companies may not have appointed debenture trustee to handle those complaints. These are the circumstances at where the investors cannot go for compliance and other terms and conditions of the issue.

**2. Rights**

a. **Companies act**

Sec 118 of the act gives a debenture holder the right to get a copy of the trust deed within 7 days and payment of the sums prescribed.

Sec 119 provides that any provision contained in the trust deed would be void if in so far it would have the effect of exempting a trustee or indemnifying him against a liability for breach of trust, where he fails to show the care and diligence required of him as a trustee having regard to the provisions of the trust deed conferring on him, any powers, authorities or discretions.

b. **Administrative measures**

The controller of capital issues, ministry of finance for the protection of the interest of the debenture holder states that “trustee to the debenture issue shall
be vested with the requisite powers for protecting the interest of debenture holders including a right to appoint a nominee director on the board of the company in consultation with the institutional debenture holders”.

i. All companies who have issued debentures in the part and who propose to issue new securities have been directed to furnish the following documents to CCI along with their capital issue applications.

i. A status report of the action taken by the company on guidelines issued by government in January 1987 in respect of the debenture issued.

ii. An auditors certificate indicating that

a. A company not in default in servicing of its debentures issued and

b. A debenture certificates issued in favour of the allotees for all previous debentures issued by the company and

c. A certificate from the financial institution or banker that they have no objection for a second or pari passu charge being created in favour of the trustees to the proposed debenture issue.

c. remedies

A. under companies act the investor has no provision to get back the interest on debentures on its non-payment.

For non-receipt of debenture certificate to the debenture holder at time. He may ask the company to send a copy of trust deed u/s118. He can avoid off the rights as stated in the trust deed. If the company is unable to pay the interest, capital, the debenture holder sends notice u/s 434 for filing a winding up petition u/s433.

B. The debenture holder can approach the debenture trustee for reddressal of their grievances. As per trust deed the trustees may call a meeting of the debenture holders. Requisition for meeting can made by the debenture holders in a minimum number prescribed in the trust deed. The trustees makes enforcement of the security created in case of default in payment of interest and capital.
C. The investigator aggrieved by non-receipt of interest on debentures can file a complaint u/s 12 of COPRA before the district forum, state or national commission depending upon their pecuniary jurisdiction.

D. SEBI can take the matter with the department of company affairs and points out the need for statutory provision for debentures on the lines of companies Rules which would cover redemption of debentures and also payment of interest. By getting more statutory powers it will be able to redress the grievances of the debenture holders more effectively.

38. non-payment of dividends

Companies take the shareholders approval in a general meeting for declaration of dividends. After the resolution declared the dividend is distributed to the shareholders. The amount due by way of non-settling of dividends becomes a debt to the company and the shareholders has the right to receive it.

1. Grievance

    Shareholders complaints about the delay in non-receipt of dividends declared by the company. In good number of cases repeated correspondence with the companies to not get response and the grievances have remained unattended.

2. Rights

   a. Companies act

       u/s 207, a company is obliged to pay dividend to the shareholders within 42 days from the date of declaration.

       Sec 205A of the act says that the unpaid or unclaimed dividends within 42 days shall with in another 7 days be transferred to the companies special account called ‘unpaid dividend account of the company”. After a period of 3 years the unpaid or unclaimed dividends are further transferred to the revenue account of the central government.

       Anyone who has a claim of the transferred amount to central government may apply to the central government for its repayment.
3. Remedies

i. Sec 207 of the act provides that on the non payment of the declared dividend every director of the company shall be punishable with simple imprisonment for a term of 7 days and also liable to pay fine for the default. The aggrieved investor can take criminal proceedings u/s 621 of this act.

ii. COPRA

An investor can file a complaint u/s 12 COPRA by the district forum, state or national commission depending upon the jurisdiction of the claim involved.

iii. The investors can forward the complaints to SEBI. Pending the grant of statutory powers, the statutory authority naming the department of company affairs and controller of capital issues for may take steps against the investors complaints. Once SEBI has been granted powers u/s 621 of the companies act SEBI initiates criminal proceedings against the defaulting company for its default.

39. Insider trading

Trading with securities by person who had the possession on it with unpublished price relating to the securities.

a. Grievance

Persons who have access on the classified securities of a company can indulge in trading of the securities to make profit or losses to the disadvantage of the investing who have not informed on that.

i. The investors who may have concrete proof and data on instances of such trading can write to SEBI on this regard.

ii. At present there are no specific statutory provisions for regulating market manipulations by interested persons. Hence it would be difficult to regulate such cases.

iii. SEBI will propose suitable legislation to deal with market manipulations. Pending enactment on such legislations the investor with specific instances of market manipulations can forward it with SEBI who would investigate it
and take up it with appropriate authority. With the grant of statutory powers SEBI may take it under its responsibility to monitor those cases.

40. Procedure to make application, affidavit or petition to company law board

The company law board (Bench) Rules 1975 provides the procedure of making application affidavit to company law board that the board shall in relation to each bench formed by it specify the members of the bench before whom matters requiring decision off the board shall be placed for orders and in the absence of any of the member it shall be placed before any other member of the bench who is present.

The affidavit, application or petition shall be written, type written, cyclostyled or printed neatly and legibly on substantial paper of full scape size and separate sheets shall be stiched together and every page shall be consecutively numbered.

The affidavit, application or petition should be properly numbered with its date accordingly to the Gregorian calendar.

Every affidavit, application or petition, shall be divided in to separate paragraphs serially and should state there on the matter and the name of the company to which it relates with.

The general heading in all proceedings whether original, inter locutory, ad, notices shall be in form no.1.

Every affidavit, application/ petition shall be verified by an affidavit which should be in form no.2.

The verification of shall be made, incase of more than 1 applicant / petitions its verification shall be made any an authorized representative of the company.

The petition should be filed in triplicate and each copy of the petition shall be accompanied by necessary enclosures.

Every affidavit shall be drawn up in the first person and shall state the full name, age, occupation and complete residential address of the deponent and may be sworn before the person specified in sec 558 of the companies act 1956.
In case of non known of the deponent by whom the affidavit had been sworn then it will be handled by a person who might have known to the concerned person.

Every affidavit shall clearly and separately indicate the statement which are true to;

a. Knowledge of the deponent
b. Information received by the deponent and
c. Belief of the deponent

On the believe of the affidavit by the deponent to be it is true fee shall be payable to the public account of India at the designated branches of PNB for credit under of head of a/c 104. Other general economic services fees realized by central government on application/petition made to it under the companies act, 1956.

The affidavit should sent at the office of the bench or may be sent by registered post addressed to the bench officer.

Where any application is sent by post shall be presented it on the date on which it is received from the office of the bench.

Form no:1

Form no:2

41. Investor protection by the deposit holders.

1. Company deposits

Company deposits accepted by corporate sector are a popular source of funds with the companies and a medium of investment by the middle income groups, pensioners, retiring persons, widows etc. such deposits are accepted for a period of 6 months and a maximum period of 3 years. It carries rate of interest not exceeding 15% per annum at quarterly rests, then the amount of interest is discounted so as not to exceed the amount of interest calculated at quarterly rests. The attractive return in such deposits has drawn many investor to channel the savings in such deposits. This has also resulted in mobilization of house hold savings for productive purposes and has made available large funds with the corporate sector.
2. Fees about company deposit:

The company will not repay its deposits before its maturity if at the discretion of it can repay the deposit with a certain percentage of interest charge. Any how there are no circumstance to the repayment of company deposits. Hence an investor has no recourse in the default of the company.

3. Care to be exercised while investing in fixed deposits:

Invitation to deposit are published at newspaper in a statutory ad giving the following details.

a. Terms of acceptance of deposits rate of interest on different maturities, minimum amount of deposits, cumulative or non-cumulative nature of the deposit etc.

b. Brief details of the company like its date and incorporation, business carried, places of its office, name, and addresses of directors.

c. Last 3 years details about profits and dividends

d. Summarized financial position of the company as appeared in the 2 latest audited balance sheet along with the details of the contingent liabilities of it.

e. Maximum deposit of a company

f. Whenever deposits accepted are unsecured then would rank paripassu with other unsecured liabilities

g. Deposits remaining unpaid.

Company can accept 35% of deposits on its paid up capital and free reserves of which 25% can be from public and rest 10% from shareholders. The minimum acceptance period is 6 months and its maximum are 3 years. Brokerage ceiling was fixed at 1% of the deposits for 1 year and it is 1.5% for more than 1 year and 2% for 2 years. Tax on interest paid or payable is deducted at source. If the interest exceeds Rs. 2500 then minimum tax is deductible at source. The declaration for the above is to be made in form 154 in duplicate as specified u/s 197A(1) of Income tax Act.1961 and it should be duly signed and verified by the declarant.
A careful study on the financial data in the prescribed particulars as available with the application form would generally reveal the working results and the financial position of the company.

**Compulsory repayment of deposits which have matured for repayment**

The companies act 1956 has been amended by the companies Act 1988 to provide compulsory repayment of deposits which have matured for repayment. The company law board has empowered to take cognizance against non repayment of deposits on maturity and also ensures repayment of public deposits and will create confidence amongst the public.

**Procedure for making application to company law board**

A person having fixed deposit matured and has not yet renewed and if the company failed to repay it must make an application in duplicate in form no.4 of the company law board regulation. The application should accompanied with the copy of deposit receipt, copy of the correspondence with the company bank draft evidencing payment of application fee of Rs.50.

The company law board has four regional benches. The depositor can make application to the bench of the company law board having jurisdiction according to the registered office of the company.

The company law board after having heard give reasonable opportunity of hearing from the company and other persons interested in the matter make suitable orders for repayment of such deposits. Non-compliance of the order of company law board is a punishable offence attracting penalty by way of imprisonment up 3 years and fine not less than Rs.50 for every day till such compliance continues.

Even after if the deposits remains unpaid then the depositor can seek remedy in a civil court or can file an application for winding up of the company to the court after serving the company on the repayment of deposit. Sec.433, 434 and 439 of the companies act.

Cases in respect of which application to the CLB will not lie:
It is essential to know that u/s 58A of the companies act, the power of order repayment matured deposits can be exercised under the companies Rules, 1975 as amended from time to time. However in the following cases the repayment of matured deposits shall not lie:

Deposits for booking purchases of scooter, car, etc are not deposits of the purpose of sec.58A of companies act.

Deposits accepted by companies for hire purchase, housing finance, a loan/mutual benefit, chit fund which receives deposits under any scheme or arrangement by way of contribution/subscriptions or by sale of units/certificates as sec.58A of the companies Act deals with non-banking non-financial companies.

Deposits from sick industrial companies act, 1985 in respect of which the board for industrial and financial reconstruction has specifically by order, suspended the operations of any contract, agreement, settlement etc. u/s 22(3) of the act. The package of the company generally cover repayment of sick industrial and financial reconstruction.

**General instruction**

Complaint can be filed before the district consumer forum for the value of upto Rs. 20 lakh. State Commission for value upto Rupees one crore and the National Commission for value above Rupees one crore, in respect of defects in goods and or deficiency in service. The service can be of any description and the illustrations given above are only indicative. However, no complaint can be filed for alleged deficiency in any service that is rendered free of charge or under a contract of personal service.

The remedy under the Consumer Protection Act is an alternative in addition to that already available to the aggrieved persons/consumers by way of civil suit. In the complaint/appeal/petition submitted under the Act, a consumer is not required to pay any court fees but only a nominal fee.

Consumer Fora proceedings are summary in nature. The endeavor is made to grant relief to the aggrieved consumer as quickly as in the quickest possible, keeping
in mind the provisions of the Act which lay down time schedule for disposal of cases.

If a consumer is not satisfied by the decision of a District Forum, he can appeal to the State Commission. Against the order of the State Commission a consumer can come to the National Commission.

In order to help achieve the objects of the Consumer Protection Act, the National Commission has also been conferred with the powers of administrative control over all the State Commissions by calling for periodical returns regarding the institution, disposal and pendency of cases. The National Commission is empowered to issue instructions regarding (1) adoption of uniform procedure in the hearing of the matters, (2) prior service of copies of documents produced by one party to the opposite parties, (3) speedy grant of copies of documents, and (4) generally overseeing the functioning of the State Commissions and the District Forums to ensure that the objects and purposes of the Act are best served, without interfering with their quasi-judicial freedom.

The Registry of the National Commission is at the Ground Floor, Upbhokta Nyay Bhawan, 'F' Block, GPO Complex, INA, New Delhi-110 023 which remains open on all working days. For any enquiry with the Registry of the National Commission, one can contact on Telephone Nos. 011-24608801, 24608802, 24608803, 24608804 and Fax No. 24651505. The filing timings are from 10.00 a.m. to 4.30 p.m. Every matter filed with the Registry is listed on the 7th day of its filing for admission before the National Commission. Functioning of District Forum, State Commission and National Commission is consumer friendly, and thus a consumer can file a complaint and also address arguments in person. In genuine cases where the complainant/appellant/petitioner before the National Commission is unable to engage the services of an advocate legal aid is provided by the Commission free of charge.

The study of regulatory and redressal measures to investors protection reveals different grievances for redressal from the scores system of SEBI. The huge complaints are raised at the judicial forums and the investors have given their satisfaction statement through the reply.
The grievances of shareholders are given to SEBI, stock broker and underwriter.

**Grievances of Public Offer**

Initial public offers are new issues to Investors of online, broking and underwriting. The investors receives shares on fulfilling the regulations of trade. The formalities of trading is known to all parties account investing like to take demat and trading account with the prescribed amount and then must give the original permanent address of the investors to the depositaries. The contact note issues by the intermediaries with their client bears their address and value of securities. The companies at which the share holders have invested are given in a printed form for their further verification. Many investors take part in the new issues by following the procedures of SEBI about the investment. The investors can receive necessary advise from the website of the online traders, stock brokers and underwriters about the issue. Any self issue of stock broking or underwriter is announced it is conveyed to them with authenticity. The regular trade is always protected with proof like documents issuing by the company. The company issues share certificates, receipts for the investors to make share trading more clear and specific. The necessary identification of shareholders are collected before issuing such trade certificates to them. The share trading considers market conditions before and after issue.

There is non-protection to the shareholders from insider trading, improper rating, and unfair and fraudulent trade practices, many of the companies have dubious promoters and merchant bankers. Once issue closes the investors must collect the proof of the value of their investment. But when time lapses the security of their investment reduces and the opportunity of collecting relevant evidences becomes absent. After giving application to allotment the investor must be cautious on their belongings pertinent for fulfilling trade. After issue and expiry of given time if any documents does not receive then it must inform to their respective intermediaries. The intermediaries must makes clear the complaints and fulfills necessary criteria of trade to reach the valuables to them. There are even after non completion of trade of investors still requires redressal and refund money.
Many often improperly communicated transactions becomes unfair transactions from the experience of trading. The communication and supporting documents envisages trade are specific. There are some shareholders shows willingness to trade can directly approaches intermediaries with application money such traders are also after scrutiny relieved from the trade. Because public when thinks cannot enter to securities market by thinking that will receive allotment.

After an issue gets complete the actual complaints of public offer are recorded. The usually receiving nature of complaints are non issue of subscription from incompetent parties. Such parties are released by advising will definitely allot next time. Their application money will be resent or handover to them. Sec 219(3) specifies to give punishment for not given copies of balance sheet and auditors report which may extend to Rs. 5000. Sec 621 permits the shareholders to proceed against the company and its officers committing offences like misstatement of prospectus, abridged prospectus, allotment, listing, transfer of shares, dividend payment etc..

Sec 24 gives punishment with imprisonment up to 10 years or with fine which may extend up to Rs. 25 crores or with both for person contravenes the provision of SEBI Act or rules or regulation. The default of listed companies much complaint to SEBI for taking action including criminal for delay of trading at shares of those companies.

a. There are refund problem of application money because of non completion of trading procures..

b. The Non payment of dividend to respective shareholders which gets immediate redressal to huge dividend receipt. So among the different income categorized groups to investors have raised complaints about non giving of declared dividend. The declared dividend of any year must deposit in to a bank account during financial year within 5 days of its declaration. Sec 205A says that the company has not been paid dividend to an shareholder must be claimed within 30 days transfer the total amount remains unpaid or unclaimed to a special account opened by a company. The penalty charged to be 12% on the unpaid or unclaimed dividend not transferred to the special
account. There are no proper distribution of dividend by the company due to non-profitability of the concern. So the investors must be capable of protecting themselves to receive the dividend by maintaining the evidences of trade they get engaged with themselves and intermediaries. During two different periods of initial public offer it symbolizes that there are non-payment of dividend at huge to the investors. The investors raises their complaints to SEBI to take immediate action of distribution of dividend by those companies having profit and other company have not announce dividend must give proper verification about the non-distribution of dividend to the board of SEBI.

C. Non-receipt of certificate is the another problem of public offer. The promoters having doubt on investors stops the receipt of certificates to them. Such complaints are collected from 105 parties. They gets immediate redressal after clarify to issue certificates from companies. Non dispatched of securities to 105 investors because there are two formality of financial background. Having problems of such investors are asked to clear their address proof at first and later dispatches their shares to them.

d. 120 Non transforming of shares about complaints from public offer are received because they are competent shareholders fulfilling requiring features of being investors. Such investors are sacrificed to trade and receive huge return depending on their investing time. So non transfer of securities are not a big problem to create quarrel or dispute under circumstances.

e. Buy back of shares are not promoted by companies, shareholders who expects such benefits from their company gets disappoints the regulators take, steps to stop those practices really suffers investors. So complaints are received due to non–but back of shares with the approval of SEBI the promoters supports such taking practices. The discouragement of shareholders are redressed.

Out of 600 shareholders each one of the shareholders are affected from various problems of public offer. The SEBI must clarify the cases and resolve it for
promoting future trade. The complaints are registered to SEBI on online and SCORES System have sent to the shareholders suitable reply.

**Grievances towards Stockbrokers**

Stock brokers are a kind of intermediary having both public offer and offer for sale. The broking time have investors of have to fulfill all criteria fit to be a share holders. The shareholders must have regular earning capacity and environment like to have friendly relationship in conveying matters of personal. It is more welcome if they are also capable to handily trade related matters of 75% of their own. The broking firm have their own grievance redressal cell for complaint redressal. SEBI prescribes byelaws to the broking firm during every 6 months. The usual advises are given to their clients in hand through circulars press notes and News papers other them website.

The research and technology committee of the broking firms considers problems and makes discussion on that to take ideal solution. Immediate resolutions are given to the share holders. Even after there are investors who still does not receive satisfaction. So stock brokers have collected shareholders during last 10 years at frequent. Let us analyse the typical. Complaints requires redressal from the broking firms. Trade regulations are not proper.

Investors are opinioned that 40 share holders are met dissatisfaction with the regulations of trade. They mean to say that the clearly evidenced trade must be smooth to them to receive undisputed return. There should not be claims from of additional scrutiny and creation of risk. It should be removed permanently from the firm.

**Dis-satisfaction of listed shares**

The listed company shares are not possibly invested of its risk inheritance. The broking agent must conform those complaints at the company. The insiders trading of investors by brokers should not eaten the worth of portion to enrich others by non considering relevant parties. Investors are protected from such scrupulous attitudes. Some special category shares are not purchased by the investors from the
listed companies, clients, must invest at securities only after received informed information’s.

**Delay in allotment**

The other problems to be less discussed are allotment delay because the agents must not make immediate dispatch of securities to their clients before authenticity. The clients such problems are redressed as early as possible. Delay in refund are affected by 75 clients who have applied to buy shares. But due to some problems like non issue of subscription to them the allotment and its further refund are delayed. The redressal committee may make it earlier to return the amount once the trade are fulfilled.

Even though it is not suitably reviewed them forwarded such matters to SEBI for making enquiry at companies and agents. The company and agents are legally charged penalty for such defraud.

**Equities are risky**

The equities are non investment sector of low income groups. So making investment is difficult on one hand and better investors protection is necessary for expecting return. Equities are risky due to its flexibility of having frequent changes. The market conditions are drastically affect the price level changes. The changes are must make benefits to the trustworthy share holders.

**Registered Complaints are redressed.**

The non registered complaints of shareholders are not recited in an relevant manner from the suffering investors. Certain circumstances may not make to reveal investors trade problems after later time of verification the small group of investors may turn out from the gap of investment cause secure loss to their company. Such problems and situations are immediately found out for its redressal.

Good community of investors having truth and faith at investment with return orientation are invested at broking time. Otherwise must have competent to save one from their own from deceptive trade practices.
The reduction in the payment of underwriting commission reduces the relationship of agent broker relationship. There must be flow of investment in the form of money is expected by all merchants any discrimination in that aim brings dissatisfied return.

Out of the 600 respondents each one of the broking clients have any one laid of investing problems expects suitable redressal for full edged trade in future. The broking agents are responsible for the drawbacks of investments of their clients. On the specifications of SEBI which issuing byelaws the huge complaints of their broking clients are redressed and they are better remunerated serve wise and return base.

**The grievance redressal of SEBI**

SEBI online complaints redressal of scores system. The basic requirement of giving complaints at scores system is open to the investors. When a formal mistake has held in trade within a month of its happening the relent must be registered for rederssal. SEBI gives reduction to the investors complaint in quick redressal system. There are complaints giving form which has to be filled online for the formal registry of redressals. More number of grievances of same nature are received from investors them it is. Property regulated by SEBI through its statutory actions. The SEBI gives injection on trading of such agents and company.

During 2004 to 2014 the SEBI have collected certain complaints for redressal are as follows:

(a) Non refund of application money to 180. After the completion of trade process the money is not refund to them. SEBI take suitable action against company and agents for their non- clearance of informations about investors.

(b) Non allotment of shares. The investors are promised for future allotment and excluded from present allocation due to low issue of subscription. Hence SEBI has received complaint of 60 applicants of non- allotment. Their capacity are analysed by SEBI through its board for taking suitable remedial action against the company and the agent.
(c) Misstatement many of the investors have clients at this. Investors become willing for investment through reliable advertisement. After watching ads they approaches intermediaries to clarify about trade informations about now investment are suitable for earning higher return. What about now, the allotment is free to new investors or it is any kind of restrictions to free investment of more investors. Though not much clear informations are not received in case of misstatement possible enquires are made by public.

(d) Default by broker to 135 investors. This is a kind of fraudulent made practices. The usual traders are not able to earn more return in between that the insiders of the trading occupations the avenue and earns huge profit. They also give more brokerage commission to their brokers for participating them in the place of regular investors. The slow trading investors have to wait for their turn.

The SEBI have received complaints about the default of broker. The grievances are redressed in this manner. Default of broker to payment of share price. The cheque sent by the broker are dishonoured are the complaints of broker. Price manipulations are presented before the shareholder for selling their shares and sometimes it works out where the broker can appoint certain rich parties. If no rich parties are allocated then the parties who are removed from share trading can be made so by practicing price manipulations. Many times same persons earning profits could taken place in the share market due to speculative business and other waits to receive return expected from their kind of investment without reply. So for the protection of such traders the broker taken steps to have little fraud and allows participants of relevant parties. The dishonoured cheques are due to non financial tendency of the firm providing service such mistakes are find out for removing it completely from the share market. The banking regulation act and the Indian penal court does not enhance such trade practice of the broker.

Price exaggerations makes investors to buy shares of large price in the aim of earning huge returns. Which after sometime comes into awareness that it is
low priced securities cannot earn income before some years. The unwanted investor of such shares must decide it earlier before distributing shares.

(e) Delay in dispatch of securities to 165. This is the major problems of investors received by SEBI. The SEBI immediately based on the complaints received enquired through its board about the intermediary who are supposed to making delay in any manner. What is the cause of the delay of dispatching instruments, any lagging on the staffs or on the part of the brokers are investigated and finds out the result. Further traffic on this part is made by SEBI. The unnecessary dissatisfaction of their collection of shares among investors are remedied by SEBI through its actions

(f) The transfer of shares to legal heirs are delaying is another problem to be learned. The reason for delay is improper address or clarification of address to whom it is transferred are required. So once it is completed the process of transfer are performed well. But what the investor requests is when once the application of transfer to one party is received without kept it for after must do with the necessities at the earliest. Because this could promotes happiest trade of investors without thinking of difference or they are partial to share trading. The required proofs are checked at quick and transfer are made to make more convenient trade to the shareholders.

(g) There are non - allotment of shares to investors when more trade option of sale order are received from many investors by the manager. The non-transferring of purchase option to them are due to their insufficient financial background. Hence proper clearance about their financial assets are made for allotting shares to them.

Out of the 600 respondents the highest problem received for resolution by SEBI are default of broker and delay in dispatched of securities. Along with other nature of complaints registered through online by investors are resolved by SEBI from time to time. The SEBI have unique number on the cases to be resolved.

**Underwriters**
Complaints at huge level are received from body corporate. The guidelines given to individual investors to underwriters are proper like to invest quick and accurate. The investors after confirmation of risk advised for investment. The regulatory rights are given to them for the purpose of collection of data. The application for investment are not properly given to them because of low income groups. Peoples really wish to buy share of high risk must be competent to take back its return with the communication of underwriter.

The individual investors are given all regulatory rights for presenting their grievances with their underwriter. They have investor awareness programme with the same nature of investment having groups.

**Redressal forum**

There are two forums to be discussed in this study. District forum and state dispute redressal forum. The five district forum among which one forum is a state forum having received more complaints. The consumer protected act 1986 envisages the mode of complaint redressal of investors in a most protected manner. The consumer protection act looks into the effect of services provided by various intermediaries and financial institutions to the shareholder. The 600 investors who are discussed in the study are share holders of any one of the intermediary and they have registered about their complaints. The stock brokers are the highest service provider of this system.

The broker have received 450 different complaints from their clients on different complaints of their clients are unregulated trade because even of the strong regulations there are delay in making services to the investors. How could regulations of this manner are again questioned is the problem and doubt of the investors. The SEBI board have taken action against unscrupulous broker of this section and informed to all their intermediaries for protection on future trade. Non refund, non-allotment, non-dispatch of securities are the other complaints of brokers registry. The exact problem of providing services are find out by SEBI and advertised to heir investors with promise that they will render good services to their clients any more. The SEBI also noticed through its investigations that the low payment of commission are one of the cause. The intermediaries are permitted to not to reduce their
commission for making trade but receive commission only to render fruitful service to their share holders. Every year we can see that SEBI receives complaints for redressal from their clients. Being an apex regulatory body the SEBI always structures the cases and resolves suitably. The clients are scheduled through interviews about the services of SEBI. On their complaints resolving the clients are answered like satisfactory NON received issues are reviewed like wise. But when monetary complaints are received from among the share holders it is only personalized through judicial forums discussing at consumer protection Act 1986. Five district commissions namely Palakkad, Thrissur, Ernakulam, Kottayam and Thiruvananthapuram are under study. Each district have received 120 complaints each. 150 shareholders are having disputes on monetary terms towards intermediaries.

a) Issue of Subscription- The application Money are received from the willing investors but not shares are issued to them. The district forum are collected 20 complaints between Rs. 5 lakhs and 10 lakhs from the positions to be redressed. The forum says that only after required clarifications are received from the broker-servicer the share are dispatched to the investors and if not make to them, their the allotment is cancelled. Because no proper address proof of such applicants are given to the agent. Such investors are called after receiving complaints through commissions and conducts hearings to them satisfied applicants are refunded their application money. Such information are publisher in the new paper of business dailies.

b) Other problems of the some category are refunded and payment of dividend. Refund is made available to the applicants who do not receive shares after time is usual and there are no particular quarrels to return it back. The now payment of dividend are due to the shareholders or any other specific problems are there are identified and evaluates the performance of the company by district forum with the assistance of the state commission and distributes the declared dividends and profits to the share holders. Huge complaints among investors are due to non allotment and non payment of dividends during 2008-2010. Most of the cases are analysed and resolved by the commission.
25 and 45 investors are again registered their complaints to the district form for redresses. Comes in the category of 25 lakhs. The complaints are due to non-depatch securities and non-receipt of certificates. The highest investing category of inductors are complained at the forum. They are current business peoples and don’t have satisfaction and security on their investment have to be questioned at better. The district commission face immediate steps for relieving through their service the business entrepreneurs. The hearing committee investigated the complaints against such company on required numbers and announced their judgment that it is because of non-identification of shareholders for proper depatch while investment many of the investors have no problems but after that they become deceased, bankrupt etc like to non-own the assets of the company. Hence their legal heirs are found out to transfer the securities. But if there are no problems towards the emerging shareholders the shares are properly depatched through their services.

The non-transfer of securities among investors are also one of the greatest problem. It is because of non-possibility of allocation or otherwise improper financial background both are investigated by the forum and redressed at the earlier for non-delayed investments. If any arbitration process is relevant it is suitably appealed to them by valuing their financial stability. Whether they have taken any loans or advances by pledging their shares. What it is the real cause of the dispute are enquired from the agent and the company and gives immediate judgment by the board of district forum.

**State commission**

The state commission have also received 60 complaints from share holders belonging to the 50 lakhs invested groups. The nature of the complaints are non-allotment, refund, dividend, delay in dispatch section, issuing certificates and non-transfer of shares. While transfer orders are received from many clients it is not taken place without reasons are the one and only cause identified by the state commission. The state commission by conducting hearings any complaints and affidavits it has redressed with proper explanation. The investors understand the situation before he does not perceive such earlier knowledge and concentrates on their business ventures satisfactorily. No problem to investors if they have any
employment or self business. Perfection and satisfaction are the main aim of investment during bulk investment in securities. Incase the company has become bankrupt and cannot return the investment of their shareholders thaw hearings are conducted for filed cases towards the company and dilatation of the such companies are taken place for repaying the deposited value of securities to the shareholders.

The other complaints are not much problem oriented and if any clarification about the personal details of the shareholders are pertinent for the situation it is received and further proper services are provided to the shareholders according to the consumer protection act 1986.

**Mode of redressal of District Commission**

More number of defects caused to complaints are non refund of return and non transfer of share amount. The district commission have also received complaints against refund of value of the securities. The cash complaint of Rs. 25 lakhs are undertaken by the district forum. The commission calculates the interest accrued along the return for the settlement of the complainants. The district forum requires evidences are about the investing party for confirmation because most of them are online traders and have no direct contact at all. For verification purpose of their share documents the depository participants wants to call and clear with the concerned parties. Any fraud of violation of rules by the party in their financial background he will be arrested and his returns are seized due to the absence of original records of the property and business. The investors for want of money may enter into unscrupulous trading practices by removing the actual applicants who may have permanent residential status, occupation and contact with neighbour and friends. By looking into their problems the SEBI have again investigates to know the quantity of mistakes enter into the trading of the securities. The investor have never felt themselves that they are no capable of making huge investment and receives its return in the case of speculation business. It is all their luck cannot be witnessed by other than his financial adequacy of covering all matters at clear and performed.

The non refund of securities are to identify whether the investors have the capability to collect the return or proceeds or any of his legal representative want to take the ownership of the returns. Later there cannot be disputes among parties by
mistaking the ownership. Ownership according to the contract are exists by law whether this is a personal contract or domestic contract. Any legal motive hinder investment or about cheating of the society by entering improper person of agreement are observed.

The offeror and the offeree of the agreement have any investor and broker relationship on the payment of certain fees to him are collected for information. Later only the value of the assets are transferred to the owner if he belongs to middle class family. The offer and agreement is important at what amount the acceptance is also important at the same amount. Under law the judgement are received at all purposeful things and the value of shares are transferred into the account of the transferee. The contract is a valid contract as per law or void or voidable contracts. Any illegal aspect hidden on the content are scrutinized to know the legality of the nature of its own.

**Complaint redressal of state commission**

The state commission receives the cases competent to more than 25 lakhs and 50 lakhs. The interest accrued along with the return are calculated to make settlement to the concerned party.

The non-issue of subscription to some are the problems of big body corporates and their partners. After collection of money why did the issuers are non-issuing the shares and what wrong with the issue are enquired later published that the particular company have under the takeover and acquisition process between new company so they are delaying the allotment to the new participants by the consent of the acquirer accompany. The acquirer company want to meet its target first. The necessary investigation with the help of the advocate by making complaints at them are received by the investors. But the investors have clear that the cash will not be misused at any manner and its prompt payment will take place but in between the delay the reasons are verified by them to protect the investment made at those ventures. When will the payment are made during the cases of delay are one of the suffering problem of the big investor.
The other severe problems are non dispatch of shares to the investors due to the required completion to accounting information. The investor may get scared because of the bulk investment at one such type of investment never before invest at. Will his investment with appreciation are granted to him or if it is denied after calculation on what grounds it is appealed by the issuer are questioned between the concerned parties.

The non refund and non transfer of shares of the investors who have invest during decline of the market at huge investments. Likewise the investors of heavy investment at any financial crisis for the flourishing of stock market. The pleasant investors who come forward with the motive of investment at good number of securities are the different types of investors. The non refund of return given to them are the leading grievance of huge investors. This problem has to be completely removed because much verification is not relevant as per the characteristic of the investors by looking at the time of investment but the place they have invested other than their native required forth purpose of clear identity of place of business and profit making are investigated to fix the ownership of the shares and its return otherwise the necessity of investing at other places is on the aim of getting an opportunity are fixed out to avoid the future problems on their clients. Only at future can determine their difference and not at prior. So when things happen it is easy to handle with care and diligence that this is due to the course of plan and action. To such clients the dispatch of certificates are prominent at earlier. The lowest amount are invested back with the permission of client to further investment of extention. The investor who want immediate repayment due to impossibility of handling financial set up are settled with their prompt payment.

The transferring of shares from one person to another when market price is high is the regular activity of the stock market. But at the cases of certain investors they complaint that there are such prompt transfer and selling does not take place in their presence at the shares are realised. The buy order is not open to the money shareholder who is willing or investment at current situation. This complaint are arises due to that the old shareholders are not selling shares ad there cannot be participants of the same wealth owned associates which is weakening the share
market systems. So from the claim of the knowing investor about situations the old investors could some time sell their shares and sales proceeds are collected. Bulk investment later take place for the exit place where the categorized investors with financial set up are also taken place in the issue.

Now 4 types of investor are participating in the share market having all financial opportunity and capability to enter into valid contract of offer. The offeror made offer is agreed with the expecting present share holders. There are non-under estimation of acceptances and agreement between the parties are determined. The business contract envisages there are pleasant repayment to such competent shareholders during the time of earning highest speculative return. The spectators are mere competent one among the other. Any requirement of the arbitration committee then the receiving of affidavit from the concerned investors and necessary hearing are conducted to analyse the fact of the cases and its estimation are put to understand the real amount argued by the investor after taking loans and other advances are fund out by the authority and hearing are conducted against the company which has to made repayment and if all grounds of hearing are true and stated then judgement is released in general for the benefit of the investor and the company. There are no complaint or argument later between them at any reasons.

**The arbitration process of commission**

There are four major theories explaining the relationship between capital structure, cost of capital and value of the firm. The Modigliani and miller approach states the irrelevance. It is even relevant today proposition to define the value of the firm. Capital structure is not a matter in determining the value of the firm. Modigliani and miller approach is more similar to net operating income approach.

**Proposition I calculation of value of firm**

\[ V = \frac{NOI}{K_o} \]

When \( K_d \) increases \( K_o \) also increases.

**Proposition II calculation of value of firm**

\[ K_e = \frac{NOI - K_d \text{ (interest)}}{S} \]
Where $S$ is the market value of shares.

As risk increases, the share value decreases.

$$K_e = K_o + (K_o - K_d) \frac{D}{S}$$

Under the theory $K_o$ is constant whatever be the value of the firm.

**Assumptions**

I. Perfect capital market means that investors are free to buy and sell securities.

II. If the rate of cost of interest is high the cost of capital is also high. The risk of the investors is given in the variability of the net operating income approach.

III. The chances of variability in risk is high. As 100% payout there is no retention for firms in the same risk class the total interest is high in $K_o$ then it also affects the $K_e$.

IV. In case of all equity $K_o = K_e$. If there is any difference it will be compensated by the rational investors.

To arbitrate means to make equal.

The market value of shares as well s debentures $= V = S + D$

**Personal or home made leverage**

It is a perfect substitute of corporate leverage. Investors can also borrow at the rate which the company borrows therefore it may not be a perfect substitute.

**Corporate leverage**

In case of corporate leveraged firm it has to be invested fund by borrowing others and by including our own funds.

The investors must aware about the market situation. The investors can also borrow at the same interest rate at which the company borrows.

When arbitration takes place to make equal both the value of the firm must be equal.
**Arbitrage process**

Suppose 2 firms unleveraged firm (U) and leveraged firm (L) have identical expected net operating income of Rs. 10000. The value of the leveraged firm (U) is 110000. The value of equity shares (S) being Rs. 60000 and the value of debt (D) is Rs. 50000 and the value of the unleveraged firm (U)

\[ V_U = S \text{ which is Rs. 10000} \]

Firm L has borrowed at the expected rate of return \( K_d \) of 6%. Assume further that you hold 10% of shares of the levered firm (L) what is your return from your investment in the shares of the firm L?

Since you on 10% of shares your are entitled to 10% of equity income

The return = \(.10 \times (10000-6\% \times 50000)\)
\(.10 \times (10000-3000)\)
\(.10 \times 7000 = 700\)

You can earn same return at less investment through an alternate investment strategy.

Thus you can do by selling your investment in firms L shares for Rs. 6000 and by borrowing on your personal account. An amount equal to your share of firm L’s operate borrowing at 6% rate of interest.

\[ \text{Ie. } .10 \times 50000 = 5000 \]

You have Rs. 11000 you can buy 10% of the unlevered firm V’s share.

Your investment will be \(.10 \times 100000 = 10000\)
Your return will be \(.10 \times 10000 = 1000\)

Thus your net return will be equity return from firm (U) 1000 – interest on personal borrowing

\[ 1000 - .6\% \times 5000 = 300 \]
\[ 1000-300 = 700 \]

Note: From the calculation you have get the same return.
The study is conducted for ten years starts from 2004 December to 2014 December. The different grievances seeking remedies from brokers and SEBI are as follows:

1. **Grievance redressal to offer document.**
   During 2004-2009, there is no disclosure of risk element of share issue.
   During 2009-2014, the issue size is not clear with its associated risk element.

2. **Grievance redressal to misstatement of prospectus.**
   During the years there are de-authorisation of trade, unaware of risk, made suit against company due to the problem in prospectus.

3. **Grievance redressal to non-payment of interest on debenture and its conversion.**
   There are non periodical payment and payment during settlement. The conversion of the instrument is not possible to some of them.

4. **Grievance redressal to public offer.**
   During 2004-2009, there are non receipt of certificates and dispatch of securities.
   During 2009-2014, the transfer of securities to the extent is not become possible.

5. **Grievance redressal to occurrence of stock exchange.**
   During 2004-2009 there are no proper return from the investment.
   During 2009-2014 positive approach of trade like the trading is quicker.

6. **Grievance redressal to dematerialization system.**
   There are no timely investment and the commission charges are high.

7. **No Grievance redressal to self regulatory services**
   The services made by self regulatory organisations are well and good and promoting trading with the intermediaries. Though this is convenient there are still problems on the education of investors at securities.

8. **Grievance redressal to dispute of brokers.**
The traders are more dependent on superiors due to unknown channels of investment.

9. Grievance redressal to take over companies

There are delay in transfer of securities due to take over and it is not a convenient more of trading to many of the investors even though there are huge platforms for investment.

10. Grievance redressal to non market transactions

Due to such transactions there are no better redressal. The clearance of securities is not clear to the investors.

11. Grievance redressal to violation of insider trading.

During 2004-2009, there are violations in the trade to be controlled by the companies and brokers about non protection due to influential party and cheating of sudden brokers

During 2009-2014, The shareholders have made violations at insiders trading and causes effect like non investment and gradually low investment and severe price exaggerations.

12. Grievances redressal to misrepresentation of right issue

There are non allotment and non refund of shares to more than half of the investors.


There are no due diligence to certificate issued and the return received is not expected to investment.

14. Grievance redressal to complaint registry at stock broker.

The registered complaints of the investors are settled and the non registered investor does not seek immediate remedy to their grievances inequity investment.

15. Grievance redressal to equity investment.
The equity investment become nonpublic investment and costly so many of them cannot buy equities.

16. Grievance redressal to regulations of mutual fund.
There are stringent regulations in mutual fund at non required periods, and non reliable mechanism of the regulatory bodies.

17. Grievance redressal to misstatement of investment.
The mis-statement of investment cause non-payment of penalty and default.

18. Grievance redressal to fraudulent market.
The complaints of the investors are not forwarded to SEBI and the regulations given by own authority is not sufficient.

19. Grievance redressal to contravening rules.
The rules of the intermediaries and stockexchange is not satisfied because non recovery of investment to many of them and the regulations are violated are felt about many investors.

20. Grievance redressal to new issues.
The investors are not satisfied are more towards new issues

21. Grievances redessal to registered complaints of SEBI.
After issue there are problems like non refund of allotment money, default by brokers, and delay in dispatch of securities.

22. Grievance redressal to the noncompliance between investors and stock brokers
There are still complaints between the shareholders and stock brokers because non furnishing of information of investment and non redressal of grievances with byelaws during time.

23. Redressals of state forum and district forum

24. Value of securities to be claimed at district and state forum

24. Grievance redressal of judicial forum
During beginning stage there are non-transfer of securities to great extent and after that there are non-dispatch of securities and certificates at more.

SEBI’s report of collection of grievances redressal

During 2009-10, SEBI received 32,335 grievances from investors and resolved 42,742 grievances as compared to 57,580 grievances received and 75,989 grievances resolved in 2008-09. As on March 31, 2010 there were 1,60,593 grievances pending for resolution as compared to 1,71,000 unresolved grievances as on March 31, 2009. These include 1,22,713 grievances where appropriate enforcement actions have been initiated. The redressal of grievances during the last three years is as under:

<table>
<thead>
<tr>
<th>Grievances at the end of period</th>
<th>Year</th>
<th>Cumulative Grievances</th>
</tr>
</thead>
<tbody>
<tr>
<td>During the period</td>
<td>2007-08</td>
<td>54933</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2008-09</td>
<td>57580</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2009-10</td>
<td>32335</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2010-11</td>
<td>39617</td>
</tr>
</tbody>
</table>

The department wise details of pending grievances as on December 31, 2010 is as under:

Pending Grievances as on 31/12/2010

Type of Grievances in respect of Department

Enforcement Actions Initiated Being followed up

HO - OIAE 6772 10585

NRO 1768 3701
I to V Listed companies - non receipt of refund/allotment, dividend, transfer of shares, etc.

VI Collective Investment Schemes ERO 144 -
VIIA Mutual Funds IMD - MF - 2303
VIIB to
VIIF Venture Capital Funds (VCF)
and Portfolio Managers

- 458

HO - MIRSD - 3703
NRO - 862
SRO - 298
ERO - 256
VIII
A&B
Brokers and Sub Brokers
WRO - 808
VIIIIC
to
VIIIJ
Depository Participants,
Registrars, Merchant Bankers,
Debenture trustee, Bankers to Issue, etc.

HO - MIRSD - 3513
IX Stock Exchanges, Clearing and settlement org. & Depositories, etc
MRD - 342
X Derivative Exchanges DNPD - 1
XI Corporate Governance,
Restructuring, Substantial
Acquisition & Takeovers, Buy
back and Delisting of
Securities, Compliance with
listing conditions.
CFD - 2258

**Total 121732 40414**

**Measures taken**

Category I-V grievances (grievances against listed companies relating to non receipt of refund/allotment, dividend, transfer of shares, etc.) are handled by HO-OIAE and Regional Offices of SEBI. At HO-OIAE, a special drive was undertaken to expedite the redressal of grievances against listed companies.

**Grievances arising out of public issues:** In addition to following up the grievances with the companies, 32 Merchant Bankers to public issues of companies were advised in 2008-09 to arrange to redress expeditiously the grievances related to public issue they had intermediated. This resulted in redressal of 29,670 grievances pertaining to public issue.

**Enforcement actions against listed companies:**

Top 100 companies in terms of number of unresolved grievances were identified in 2009-10 and were vigorously followed up for resolving grievances. Adjudication proceeding were initiated against the following13 companies which
had failed to redress investor grievances, after having been called upon by SEBI to
do so.

Matter referred back to Adjudication Officer by SAT on appeal filed by the
company. 17.3 Show cause notices were issued to the following 33 companies and
its 150directors u/s 11(4)(b) of SEBI Act, 1992 for their failure to redress investor

Grievances and respond to SEBI’s notice to redress grievances as to why
they shall not be debarred from accessing securities market till they resolve the
pending investor grievances:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of the Company</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Akar Laminators Ltd</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Bhuvan Tripura Industries Ltd</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Binaca Synthetic Resins Ltd</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Chicago Software Industries Ltd</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Hindustan Industrial Chemicals Ltd</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Indo American Optics Ltd</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Ishwar Medical Service Ltd</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>D R Softech &amp; Industries Ltd (formerly known as D R Industries Ltd)</td>
<td>Order dated 08/12/2010 has been issued refraining company and its directors from the securities market till all pending investor grievances are resolved</td>
</tr>
<tr>
<td>9</td>
<td>Nexus Software Ltd</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Prakash Fortan Softech Ltd</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Rane Computers Consultancy Ltd</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Topline Shoes Ltd</td>
<td></td>
</tr>
</tbody>
</table>
Order dated 13/12/2010 has been issued refraining company and its directors from the securities market till all pending investor grievances are resolved.

13 Good earth Synthetics Ltd
Dropped as the co. is declared defunct

14 Indo American Credit Corporation Ltd

15 Kanel Oil & Export Industries Ltd

16 Kolar Information Technologies Ltd (formerly known as Kolar Biotech Ltd)

17 Motorol Enterprise Ltd

18 Panjwani Packaging Ltd Order dated 15/12/2010 has been issued refraining company and its directors from the securities market till all pending investor grievances are resolved.

19 Steel co Gujrat Ltd Order dated 15/12/2010 has been issue exonerating company and its directors since all pending investor grievances are resolved.

**Actions taken against brokers and sub brokers**

<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>Cases where Enquiry Officer has been appointed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Brokers</td>
<td>158</td>
<td>136</td>
<td>21</td>
<td>39</td>
<td>65</td>
<td>34</td>
</tr>
<tr>
<td>Sub-Brokers</td>
<td>13</td>
<td>13</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cases where enquiry proceedings have been completed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokers</td>
<td>41</td>
<td>80</td>
<td>12</td>
<td>65</td>
<td>7</td>
<td>76</td>
</tr>
<tr>
<td>Sub-Brokers</td>
<td>5</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Sebi (2003) Tables 2.50, 2.51, 2.74, 2.75, other reports.