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# The Lacunae in the Current Dispute Resolution Mechanism in SEBI

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## ABSTRACT

*In today's growing world, a strong and healthy capital market is vital to a country's financial structure as it encourages and acts as a reliable guide to corporate firms' financial position and performance. Thus, the capital market plays a vital role in the country's economy—India's securities and exchange board (SEBI). SEBI is a statutory body of a business organization that acts as a market regulatory which interns controls securities, market, and capital markets in India. Before SEBI came into existence, the regulatory authority had been in control of India's capital securities and exchanges. Before SEBI came into existence, the controller of capital issues was the regulatory authority and got statutory powers through the capital issue act 1947*

*The SEBI board is led by its own board of members and includes a separate chairman, full-time members, and part-time members. The chairman is chosen by the union government, and of the seven members, two are chosen by the finance ministry and one is chosen from the reserve bank of India (RBI). The remaining five members are chosen by the federal government. SEBI primarily works with stock exchanges, shareholder rights, and obtaining shareholder investment guarantees. For successful functioning of the capital market there is an need for the very effective dispute resolution mechanism in order emphasis on the customer disputes and securities market issues to be resolved in an efficient manner. As an alternative dispute resolution (ADR) mechanism for various agreements between regulated entities and their clients, SEBI is exploring the possibility. To provide investors and regulated entities with effective dispute resolution, the regulator says.*

*Securities Exchange Board of India's Investor Grievance Redressal System (IGRS) is an online complaints redressal system launched to provide a fast and effective resolution of investor grievances. SEBI Complaints Redress System (SCORES): This provides a centralized platform for investors to resolve their complaints against listed companies and market intermediaries.*

**Keywords:** SEBI, capital market, Grievance Redressal System ,dispute settlement system.

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## **I. INTRODUCTION**

In today's growing world, a strong and healthy capital market is vital to a country's financial structure as it encourages and acts as a reliable guide to corporate firms' financial position and performance. Thus, the capital market plays a vital role in the country's economy—India's securities and exchange board (SEBI). SEBI is a statutory body of a business organization that acts as a market regulatory which interns controls securities, market, and capital markets in India. Before SEBI came into existence, the regulatory authority had been in control of India's capital securities and exchanges. Before SEBI came into existence, the controller of capital issues was the regulatory authority and got statutory powers through the capital issue act 1947. IN 1988 SEBI became a non-statutory body as regulatory of the capital market. In 1992 the parliament passed a SEBI act which gives SEBI autonomous and statutory power.

SEBI was established in 1988 as a non-statutory agency to regulate the capital market. The parliament approved the SEBI Act in 1992, granting SEBI legislative authority and autonomy.

The SEBI board is led by its own board of members and includes a separate chairman, full-time members, and part-time members. The chairman is chosen by the union government, and of the seven members, two are chosen by the finance ministry and one is chosen from the reserve bank of India (RBI). The remaining five members are chosen by the federal government. SEBI primarily works with stock exchanges, shareholder rights, and obtaining shareholder investment guarantees. For successful functioning of the capital market there is an need for the very effective dispute resolution mechanism in order emphasis on the customer disputes and securities market issues to be resolved in an efficient manner. SEBI, the securities, and exchange board of India has established the ADR mechanism to facilitate Indian companies access to global capital markets. As an alternative dispute resolution (ADR) mechanism for various agreements between regulated entities and their clients, SEBI is exploring the possibility. To provide investors and regulated entities with effective dispute resolution, the regulator says.

Securities Exchange Board of India's Investor Grievance Redressal System (IGRS) is an online complaints redressal system launched to provide a fast and effective resolution of investor grievances. SEBI Complaints Redress System (SCORES): This provides a centralized platform for investors to resolve their complaints against listed companies and market intermediaries.

### **(A) Literature Review**

#### **a. Article review:**

Article: 1- Effectiveness of SEBI's Complaints Redress System (SCORES) in India (A Research Article by ajit, Sarat Malik, Sneha Nautiyal)

The paper recognizes the dynamic and efficient capital market is an essential component of a country's financial infrastructure. The Indian stock market is the world's fourth best-performing market. The resolution of securities market disputes may result in decreased equity/capital costs in the country. To begin with, the current study examines the function and usefulness of SEBI's securities dispute resolution system using three criteria that are often demonstrated to be compatible with strong dispute resolution systems: accessibility, efficiency, and fairness, and the scope of this study is designed to provide information on these three criteria. The major key findings are: SCORES perform exceptionally well in terms of both investor accessibility and mechanism efficiency. SEBI may think about expanding the mediation and arbitration mechanism popular in the brokerage community to the corporate level (primary and secondary market). It is suggested that the SCORES system monitor repeat players (RP) who "play for rules" to the detriment of persons who are "one shooters" (OSs). Social media might be utilised extensively to educate investors and spread the good news about the regulation.

Article: 2- Procedural Fairness of Arbitration Process in Indian Capital Market (A Research Article by Dr. Devarajan T.S1, Kusuma Hiremath Y.G2)

In this paper, we examine the procedural fairness of the Indian arbitration process for redressing investor complaints. Investor complaints can be resolved through a method. Globally, there are several law and financial academic research studies available, but Indian capital market arbitration research is scarce. To address, need this article sheds light on the complete system of arbitration of stock exchanges National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) under the Securities Exchange Board of India rules (SEBI). By ensuring procedural fairness at every stage of the arbitration process, the report concludes by arguing for reform of the whole system of investor complaint redressal. It is possible to examine the arbitration process's accessibility, fairness, and effectiveness in defending investor interests in the Indian capital market.

#### **b. Book Review:**

1. Investor Protection Through Investor Grievance Redressal Mechanism at SEBI  
(Published by Deepika Maheshwari)

The role and effectiveness of SEBI's SCORES securities dispute resolution system as measured by the widely accepted. A successful dispute resolution system should have three characteristics: accessibility, efficiency, and fairness. In terms of the first requirement, accessibility to investors, SCORES performs excellently. It is overly eager to take client concerns. SEBI's SCORES strategy is distinct and may be described as an advocacy model,

with investors' interests at the forefront. In recent years, the redressal rate of 96% has been among the highest among regulators worldwide. Similarly, the time required is favourable (less than a year).

## 2. Retail Investor in Focus: The Indian IPO Experience (published by Parimala Veluvali)

The regulator has put in place a comprehensive process to provide for the rapid resolution of investor grievances, largely through amicable means, failing which enforcement proceedings in the form of adjudication, prosecution, and judicial sanctions, among other things, would be taken. Grievances against brokers and sub-brokers can be sent to stock exchanges, which have established their own investor protection fund to compensate investors in the event of broker default. Grievances against depository participants are addressed with depositories, which indemnify investors for losses incurred as a result of the depository participant's negligence.

### **(B) Hypothesis**

Based on our study, We proposed a strategy to address the problems connected to many factors in stock exchanges and gaps in the current ADR system in SEBI based on our research, understanding of the arbitration procedure, and data from investor claims of stock exchanges.

### **(C) Research Methodology**

In this research project, a qualitative method is offered by ADR, which SEBI provides, in this study project to identify the shortcomings in the existing dispute settlement system. In this case, information is acquired through a literature study, which acts as a middleman for crucial roles, including investors, market intermediaries, and SEBI release. The last data evaluation will concentrate on data analysis for the dispute settlement system.

### **(D) Objectives of the study**

1. To highlight the flaws in the current SEBI ADR mechanism
2. To highlight examining and contrasting the factors affecting the arbitration result, one can determine the procedural fairness of arbitration proceedings.
3. To highlight the different intricacies of ADR Mechanism is Securities Exchange Board of India's.

### **(E) Conclusion:**

The research project aims to highlight the issues of Investor protection was significantly highlighted in arbitration as part of the securities dispute resolution process. The lacunae in the current dispute resolution mechanisms have been disclosed and the reasons behind the same

have been identified. To get a solution where SEBI can resolutely issue through SCORE and other redressal mechanism with faster pace. SEBI must learn from the Securities Appellate Tribunal's numerous decisions, which have chastised it for failing to apply its thinking in dealing with investor concerns, while also focusing on increasing current capacity. Moreover, the paper advocates for reform of the overall system of investor complaint redressal by It is important to ensure that procedural fairness is preserved throughout the arbitration process. The length of the arbitration, the expense of the arbitration, the papers supplied by investors, and other factors all have a substantial impact on the outcome of the arbitration. This research study does not address the strategies for implementing society mediation mechanisms into the legal system.

### **List of case laws:**

1. Sahara India Real Estate Corporation Limited & Ors. vs. SEBI (2012) 10 SCC 603.

During the hearing of this case, the Supreme Court of India underscored that the current dispute settlement mechanism established by SEBI was flawed and made recommendations for reforms as a result.

## **II. HISTORY OF SEBI**

SEBI which stands for Securities and Exchange Board of India, is the regulatory body in India that governs the securities market in the country through its statutory powers bestowed upon it through the Securities and Exchange Board of India Act, 1992. The reason for the Litigators to come up with Securities and Exchange Board of India Act, 1992 was to create a regulatory body which would protect the interest of investors' interest and promote the development securities market in India.

SEBI was established in 12<sup>th</sup> April 1988, but before that the responsibility on regulation of securities was upon the Controller of Capital Issues (CCI) which got its statutory powers from the Capital Issues (Control) Act, 1947. It was observed that with the passing of time the regulatory framework of CCI was not sufficient to meet the growing demands of a rapidly developing securities market. Hence SEBI was established since there was need for a more comprehensive regulatory body than CCI.

The basic goals of SEBI are to develop and oversee the Indian securities market. It tries to safeguard investors' interests by requiring openness, justice, and moral behaviour from market actors.<sup>3</sup> All elements of the securities market, including issuers, intermediaries, and investors,

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<sup>3</sup> Dr. Prof Pradip Kumar Sarkar and Dr. Kyvalya Garikapati (2020) 'Supplementary PDF file for article to be published', *GROWTH OF SEBI AS A REGULATOR OF THE INDIAN CAPITAL MARKET*, pp. 182–198. doi:10.17510/wacana.v19i1.615.s67. ((Accessed: 10 May 2023).

are subject to regulation and supervision by SEBI.

Early on, SEBI concentrated on overseeing and fostering the growth of India's stock markets. To modernise the securities market, it implemented several reforms, including the introduction of electronic trading and the dematerialisation of securities. Insider trading was one of the major problems SEBI had to deal with in the beginning. Insider trading is the act of trading securities using information that is not generally available. In order to address this problem, SEBI introduced stringent disclosure guidelines and increased the fines for insider trading. Additionally, SEBI enacted rules to safeguard the interests of small investors. For instance, it stipulated that a minimum of 10% of any public offering by a company must be made available to individual investors. The idea of a public offering of debt instruments was also established, making it simpler for businesses to raise money from the general public.

SEBI has maintained its crucial role in fostering the growth of the Indian securities market over the years. The National Institute of Securities Markets (NISM) and the Investor Education and Protection Fund (IEPF) are only two of the efforts it has launched to raise investor awareness and education. A centralised KYC (Know Your Customer) system and the adoption of a unified payment interface (UPI) for securities transactions are only two of the reforms that SEBI has implemented to improve the effectiveness and transparency of the securities market.

In recent years, SEBI has concentrated on finding solutions to the problems caused by globalisation and technological improvements. It has put rules in place to control crowdfunding, cryptocurrency trading, and online trade. To counteract market manipulation and other fraudulent practises, SEBI has reinforced its enforcement mechanisms. As a matter of fact, since its founding in 1988, SEBI has been instrumental in fostering and overseeing the Indian securities industry. It has unveiled a number of initiatives to safeguard investors' interests, improve market transparency, and advance investor education. SEBI will continue to be essential in maintaining the efficiency and integrity of the Indian securities market as the securities market develops further.

### **(A) Functions of SEBI**

SEBI principally serves the following three purposes:

- Protective functions
- Protective Functions
- Regulatory Function
- Development Function

As the name implies, SEBI performs protective tasks to safeguard the interests of investors and other financial actors, including checking for price fixing, encouraging fair practises, raising investor awareness, and outlawing fraudulent actions and unfair trade practises.<sup>4</sup>

### Regulatory Activities

The goal of carrying out these tasks is to monitor how the financial markets' operations are conducted. These duties must include:

- Developing the rules and code of conduct to ensure that business and financial intermediaries operate legally and ethically.
- Control the acquisition of businesses.
- Perform the exchanges and inquiry audit broker and merchant banker registration, etc.
- Fees Levying
- applying and using authority
- Regulate and register the development functions of credit rating agencies.

SEBI performs a variety of development-related tasks, including but not exclusive to:

- Giving intermediaries training
- Encourage ethical commerce, and lessen fraud.
- Conducting research and supporting self-operating businesses
- Purchasing and selling mutual funds through a broker from an AMC

### **(B) Objective of SEBI**

The Securities and Exchange Board of India, or SEBI, is in charge of overseeing the Indian securities industry. Its main goal is to safeguard investors' interests and advance the growth of the securities market by establishing rules and regulations that guarantee openness, equity, and efficiency.

The objectives of SEBI include:

1. Safeguarding the interests of investors by making sure the securities market operates fairly.

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<sup>4</sup> Shreya Rajan (2020AD) *A study on role of SEBI as a regulatory authority in Indian ... - IJCRT, A STUDY ON ROLE OF SEBI AS A REGULATORY AUTHORITY IN INDIAN CAPITAL MARKET*. Available at: <https://www.ijcrt.org/papers/IJCRT2007358.pdf> (Accessed: 13 June 2023).



2. Fostering the expansion of the securities market by promoting new issuers, providing innovative financial products, and establishing favourable market conditions.
3. To guarantee adherence to rules and norms, intermediaries like brokers, mutual funds, and other market players are subject to regulation.
4. Encouraging the education and awareness of investors to improve their knowledge of the securities market and their available investment possibilities.
5. Enforcing proceedings and sanctions, preventing unethical and fraudulent business practises in the securities industry.
6. Regulating mergers and acquisitions to make sure they're handled fairly and openly.
7. Keeping an eye on and keeping track of market activity, ensuring a stable and transparent market.

### **(C) Organisational structure of SEBI**

Corporate structure is followed at SEBI India. Senior management, department heads, a board of directors, and numerous important departments are all present. More specifically, the SEBI organizational structure consists of over 20 departments, each of which is managed by a department head who in turn is managed by a general hierarchy.

The nine specified officers who make up the hierarchical structure are as follows:

- The Chairman is nominated by the Indian Union Government
- Two representatives of the Indian Union Finance Ministry.
- One RBI member, or Reserve Bank of India, member.
- The Indian Union Government nominated the other five members.

Some of SEBI's most important departments are highlighted in the list below:

- The department of information technology.
- The Custodians and Foreign Portfolio Investors.
- International Affairs Office.
- A national securities market institute.
- Department of Investment Management.
- Department of Commodity and Derivative Market Regulation.
- The human resources division.

In addition to these, additional significant departments handle matters relating to the law, money, and enforcement.

### III. CURRENT DISPUTE RESOLUTION MECHANISM IN SEBI

In order to safeguard the interests of investors and guarantee the fair and transparent operation of the securities market, SEBI, the Securities and Exchange Board of India, has established a number of dispute resolution methods. The following are the SEBI's current dispute settlement procedures:

**1. SEBI Complaints Redress System (SCORES):** Investors can file online complaints against listed companies, intermediaries, and market infrastructure institutions (MIIs) through the web portal SCORES. By sending concerns to the appropriate businesses or middlemen for settlement, the system makes it easier for problems to be resolved quickly and effectively.

The Securities and Exchange Board of India (SEBI) offers a mechanism called the SEBI Complaints Redress System that enables investors to file grievances against market intermediaries like brokers, mutual funds, and depositories.

Investors can lodge complaints, follow the status of their complaints, and add pertinent documents using the system's online capability. Investors have the option to escalate their concerns through the SEBI concerns Redress System if they are dissatisfied with the market. Investors must visit the SEBI website and register as complainants before using the SEBI Complaints Redress System. Then, they can file their complaint, including pertinent information such the name of the market intermediary, the nature of the complaint, and any supplementary materials<sup>5</sup>. Investors are also given a special complaint registration number by the SEBI Complaints Redress System, which they can use to monitor the progress of their complaint.

After receiving a complaint, SEBI sends it to the appropriate market intermediary for resolution. The market intermediary has a set amount of time to address the grievance and offer a solution. If the complainant is unsatisfied with the response, they can submit their issue to SEBI, who will investigate and take appropriate action. intermediary's answer. Investors who want to file complaints against market intermediaries can do so via the SEBI Complaints Redress System. It guarantees that investor concerns are handled promptly and effectively, fostering openness and responsibility in the securities market.

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<sup>5</sup> *SEBI examining alternate dispute resolution mechanism for regulated entities and clients* (no date) *Moneylife NEWS & VIEWS*. Available at: <https://www.moneylife.in/article/sebi-examining-alternate-dispute-resolution-mechanism-for-regulated-entities-and-clients/66147.html> (Accessed: 15 May 2023).

**2. SEBI Arbitration Mechanism:** To settle disagreements between trading members, clearing members, and their clients, SEBI developed an arbitration process. The National Securities Clearing Corporation Limited (NSCCL) is the official clearing corporation for arbitration proceedings, while the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are the designated stock exchanges for conducting arbitrations. A key player in the resolution of disputes involving deals made on the National Stock Exchange of India Limited (NSE) is the National Securities Clearing Corporation Limited (NSCCL).

The dispute resolution process of NSCCL is used in the event of any disputes involving trades made on the NSE. Depending on the nature and complexity of the disagreement, the NSCCL has a well-defined conflict resolution procedure that includes arbitration, mediation, and adjudication. The NSCCL's dispute resolution procedure is intended to be reasonable, effective, and open. It tries to swiftly settle disagreements while making sure that each party has a chance to argue their position. The Securities and Exchange Board of India's (SEBI) pertinent rules and regulations dictate how the NSCCL resolves disputes. The NSCCL has a group of qualified experts who oversee overseeing the dispute resolution procedure.

Overall, the NSCCL's dispute resolution process is a crucial component of its responsibility for preserving the credibility and integrity of the Indian financial market. By ensuring that disputes relating to deals completed on the NSE are addressed in a fair and transparent way, it helps to maintain market stability and investor trust.

**3. SEBI Ombudsman Scheme:** An alternative dispute resolution procedure for complaints involving securities market investments is the SEBI Ombudsman Scheme. The programme allows for a quick and affordable resolution of disputes and covers complaints against listed businesses and registered intermediaries.

In order to expedite the settlement of investor complaints and grievances against registered intermediaries and listed businesses, the Securities and Exchange Board of India (SEBI) Ombudsman Scheme was established.<sup>6</sup>

Investors can make complaints under the SEBI Ombudsman Scheme addressing problems including not receiving securities, not receiving dividend payments, not having their concerns addressed, and other problems relating to securities transactions. The programme includes grievances against portfolio managers, registrars and transfer agents, registrars and depositories,

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<sup>6</sup> *SEBI drops ombudsman concept for securities market* (no date) *The Economic Times*. Available at: <https://m.economictimes.com/markets/stocks/news/sebi-drops-ombudsman-concept-for-securities-mkt/articleshow/82394062.cms> (Accessed: 10 June 2023).

stockbrokers, and other market intermediaries.

India is well covered by the SEBI Ombudsman Scheme, which has offices in several of the main cities. With an emphasis on offering a fair and transparent procedure to all parties, the plan offers a rapid and economical alternative for conflict settlement. A mediator between the complaint and the middleman, the Ombudsman designated by SEBI is a neutral and independent body. The Ombudsman has the authority to grant the complaint compensation, require the intermediary to take corrective measures, or impose any other remedies he sees suitable. In general, the SEBI Ombudsman Scheme is a useful tool for investors to file complaints against registered intermediaries and publicly traded corporations. By offering a fair and effective method for dispute resolution, it aids in fostering investor trust in the Indian financial markets.

**4. SEBI Takeover Panel:** SEBI established a Takeover Panel to handle disputes resulting from takeovers, acquisitions, and mergers of listed firms. The panel's decisions are binding on the parties involved and are made by independent experts from various professions. The panel oversees making sure that all stakeholders' interests are safeguarded and that takeovers of publicly traded firms are conducted fairly and transparently.

The SEBI Takeover Panel has the authority to accept or reject takeover offers and to oversee the whole acquisition process. The panel also has the power to impose sanctions on parties that disobey the rules governing takeovers.

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, govern how the SEBI Takeover Panel does its work. Aiming to safeguard the interests of minority shareholders, the regulations oversee the purchase of shares and the management of publicly traded enterprises. The Reserve Bank of India (RBI), the Ministry of Corporate Affairs, and SEBI officials make up the panel. Independent specialists from the legal, financial, and accounting fields are also included. In general, the SEBI Takeover Panel is essential in ensuring that takeovers of listed firms in India are conducted fairly and openly. By offering a strong regulatory framework for takeovers, it contributes to the growth of investor trust in Indian financial markets by safeguarding the interests of all stakeholders.

**(D) Investigator Grievance Redressal Committee (IGRC):**

IGRC was formed to deal with any complaints or concerns raised by investigators engaged in SEBI-regulated activities. The committee oversees looking into complaints about any unfair practises or illicit conduct by SEBI employees or businesses. A retired judge or someone with knowledge in securities legislation, an independent member with experience in the financial

markets, and a SEBI officer make up the IGRC<sup>7</sup>. The committee's main responsibility is to impartially evaluate complaints and, if required, provide suggestions for corrective action. The IGRC has the authority to carry out investigations, call witnesses, order the production of documents, and take any other actions required to fulfil its mandate. In order to safeguard investor interests and ensure fair and transparent practises in the Indian securities markets, SEBI made a crucial step forward by creating the IGRC. The overall goal of these different types of redressal mechanism is to offer investors and other market participants a fair and effective dispute resolution process in the securities market.

#### **IV. THE MAJOR GOAL OF SEBI'S DISPUTE RESOLUTION SYSTEM IN PROCESSES WITH A LIMITED SCOPE AND A SIGNIFICANT PROCESSING TIME**

SEBI already has a strong SCORES SEBI Complaints Redress System platform in place for submitting a complaint against resources of organizations and SEBI licensed intermediaries. There are already over 59 lakh cases pending before various High Courts in India, and terminating the appellate arbitration procedure will add to the High Courts' already excessive workload. Maybe the issue is not so much with the criteria or the barrier as with the rapidity with which decisions are made and specific abuse by intermediaries through non-compliance with such awards, all of which may not be in the best interests of investors. SEBI has proposed that to effectively redress investor grievances, issues, or disputes in the securities market, all such grievances, issues, or disputes directly relating to indicated securities market intermediaries be governed by stock exchange-administered mediation or conciliation, and, having failed that the arbitration mechanism.<sup>8</sup> If the stock exchange or depository does not settle an investor's claim, the investor may file an arbitration case under the rules and regulations of the stock exchange or storage. The speedy settlement of securities market disputes is critical for minimizing the country's capital or equity expenses. To resolve conflicts between investors and distributors of securities, investors and distributors worldwide frequently turn to a third party, such as a self-regulatory organization or any other regulatory agency. Concentrating on customer disputes and efficiently resolving such securities market issues has become crucial for the smooth functioning of capital markets as competition and complexity in the capital market

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<sup>7</sup> *Grievance redress mechanisms - asian development bank* (no date) *DESIGNING AND IMPLEMENTING GRIEVANCE REDRESS MECHANISMS*. Available at: <https://www.adb.org/sites/default/files/institutional-document/32956/files/grievance-redress-mechanisms.pdf> (Accessed: 31 May 2023).

<sup>8</sup> Guest, Guest and says:, V.M. (2022) *Strengthening SEBI's investor grievance redressal mechanism: Recent efforts, IndiaCorpLaw*. Available at: <https://indiacorplaw.in/2022/12/strengthening-sebis-investor-grievance-redressal-mechanism-recent-efforts.html> (Accessed: April 20, 2023).

have increased. <sup>9</sup>Investors whose funds have been affected by market players' mistakes or wrongdoing demand an accessible, quick, and fair complaint handling and dispute resolution method. The existing SEBI dispute resolution procedure is lengthy and time-consuming, which can annoy investors who want a speedy resolution to their issues.

The process has several phases, including submitting a complaint, giving evidence, and attending hearings. This procedure might take months, if not years, delaying justice for investors. I want to point out that the significant scope of the SEBI's dispute resolution process is confined to dealings between investors and listed businesses, stockbrokers, or other market intermediaries. There is no certainty that the decision will be followed. SEBI's ability to enforce its rulings is limited, and investors might have to file a lawsuit to have the judgment enforced. An alternative dispute resolution method for securities markets is required to safeguard investors' rights, create awareness, and build confidence and transparency. There is no system in place to resolve conflicts among investors. The essential methods accessible to shareholders are the SCORES site, arbitration, and SAT. However, they may not always be successful if investors are conscious of their rights and alternatives. Manufacturing has also proposed that all disputes resolved by a single arbitrator rather than a panel of arbitrators. SEBI has also requested feedback on whether a higher qualifying requirement should apply to claims exceeding a specified level. This study effort has certain limitations that must be noted. As previously stated, one weakness of the study is the relatively small sample size of respondents, which may not adequately reflect all stakeholders' perspectives. Furthermore, rather than evaluating alternative prospective conflict resolution processes, the research concentrates solely on SEBI's present dispute settlement mechanism. Future studies might investigate these limits and alternative solutions to present a complete picture of dispute resolution in the Indian securities market. SEBI's existing dispute resolution process is confined to disputes between investors and market intermediaries; it does not explicitly hide conflicts between market intermediaries or investors. In this minimum mechanism, there may be gaps in the dispute resolution mechanism due to the involvement of Limited Jurisdiction, as the current dispute resolution mechanism in SEBI may have limited jurisdiction in certain types of disputes, such as those involving offshore transactions or foreign investors, causing uncertainty and confusion for investors and intermediaries. The person of a corporation or an individual would result in a lack of timeliness, which would cause delays in the resolution process, causing discontent among investors and market intermediaries. Overall, the inadequacies of SEBI's present dispute resolution process

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<sup>9</sup> Amlegals (2022) *Dispute resolution mechanism of sebi, Law Firm in Ahmedabad*. Available at: <https://amlegals.com/dispute-resolution-mechanism-of-sebi/#> (Accessed: April 20, 2023).

underscore the need for modifications to make it more effective and efficient. SEBI must address these challenges to promote trust in the securities market and safeguard the rights of investors and traders. Any grievances or disputes must be presented to Arbitration within six months of the transaction date, or the date the client claims to have provided a direction or order to purchase or sell a security, or the date the customer claims to have paid money or delivered a security, whichever is earlier. Shall computed six-month term without regard to the time required to resolve a disagreement under the Arbitration and Conciliation Act by the Managing Director or by the investors' grievance cell. The processes have established investors' confidence and assurance in properly settling securities disputes through Arbitration.

## **V. THE LIMITATIONS IN SEBI'S PRESENT DISPUTE SETTLEMENT PROCEDURE INCLUDE LIMITED ENFORCEMENT, SEBI'S POWER, AND RESOURCES**

### **1. The Limited Enforceability:**

Although its authority to fine and prosecute firms that break securities laws, SEBI's enforcement efforts are sometimes hampered by a lack of finances and the slow speed of the judicial system. SEBI's dispute settlement procedure has certain limits. It results in delayed justice and insufficient punishment for lawbreakers. Market players may attempt to avoid SEBI's enforcement measures by seeking remedies through legal channels. For example, they may file a legal challenge against SEBI's judgments, resulting in lengthy lawsuits and significant delays in dispute resolution.

### **2. The SEBI's powers and resources:**

SEBI's power and resources, especially in dealing the considerable regulatory authorities, limit its capacity to examine and penalize violators. When entities operate outside of India, SEBI's capabilities are constrained. (For example, if a foreign corporation participates in market manipulation affecting Indian markets, SEBI may lack the power and funds to investigate and prosecute such conduct successfully.)

#### **(A) Several major subcategories as defined under the SEBI legislation:**

- **The power to search and seize something:** Following Section 10, SEBI is authorized to search for any location where it believes any records about the securities market are held, including computer discs or storage devices. If required, these records may be seized. Under Section 11 of the Act, a search warrant may be granted for any location or premises where a person is reasonably suspected of committing an offense.
- **A second power SEBI possesses is the power of arrest:** Any individual who has

committed an offense punishable by the Act may be arrested without a warrant under Section 12 of the Act by a SEBI officer or another police officer having at least the rank of Assistant Superintendent of Police.

- **Service or attachment power:** Section 14 of the SEBI Act refers to an official authorized by the SEBI to serve a copy of a judgment on a concerned individual and attach their assets while these procedures are underway.
- **Regulation-making authority:** The Board may, with the prior consent of the Central Government and by the announcement in the Official Gazette, enact regulations consistent with the Act for carrying out the Act's purposes.
- **SEBI has the power to enforce the following sanctions:** Any payment obligated to be made by any person under this Act and any other sum owed by him or the rules issued thereunder can be collected by the Board under Section 28. There will be no jurisdiction for the Board to hear any suit initiated for recovery of money owed to SEBI or any proceedings before the Appellate Tribunal or even to approve prosecutions by itself.
- **Central Government Power:** Some conditions exist for summoning and compelling any person's attendance, demanding the discovery and production of documents, and receiving evidence on affidavits.<sup>10</sup>

## VI. CONCLUSION AND RECOMMENDATION

To finish, I'd want to point out that numerous critical faults in SEBI's present dispute settlement procedure were discovered during a study project. Long timelines, the complexity of the system, a lack of transparency, the mechanism's restricted scope, limited alternatives for investors, and a lack of implementation of judgments were among them. As mentioned here, some recommendations for a research project with the goals of getting the formation with proper authorization lacunae, streamlining the process and scope, expanding the options for investors, and that SEBI can ensure that investors have adequate and efficient access to justice and build investor confidence in the securities market by enacting rules and orders and implementing these laws. By protecting the interests of investors and the market, SEBI has worked hard to provide an effective dispute resolution mechanism for individuals participating in the stock market. Despite these attempts, certain flaws remain with how disputes are handled. These include a lack of transparency, delayed judgments, limited reparations, limited jurisdiction, compensation difficulties, less-educated investors' difficulty accessing it, and reduced power.

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<sup>10</sup> Raasta, L. (2021) *SEBI - functions .power and responsibilities of sebi*, LegalRaasta Knowledge portal. Available at: <https://www.legalraasta.com/blog/sebi-powers-responsibilities/> (Accessed: April 20, 2023).



All these issues must be addressed.

As a result of concerns, SEBI considered protecting their investors and compensating them for their losses. As certain ideas are made here, SEBI can improve its dispute resolution process and increase its function as a regulator of the Indian securities market. The report states that most findings in SEBI with severe gaps in the current dispute resolution procedure are included. To address the challenges of the dispute resolution process, SEBI must take a holistic strategy, making it quicker and more transparent, widening its scope to include investor conflicts, and providing investors with many options for resolving their complaints. Their primary objective should be to ensure that investors obtain the justice they deserve and have unrestricted access. The Securities Appellate Tribunal and the Supreme Court of India must approve SEBI's powers before it is able to implement them. Further, SEBI must expedite the legal process in order to make sure that its judgements are not unnecessarily contested in court.

**(A) A brief overview:**

The executive summary provides an overview of the research study, including its goal, methods, findings, and suggestions. Our inquiry uncovered areas for improvement in SEBI's dispute resolution mechanism, including its lengthy and complex procedure, the opacity of operations, restricted coverage, a lack of investor choices, and difficulties in enforcing judgments. Several improvements are proposed to solve these issues, including increasing the system's efficiency, broadening its reach, providing other alternatives for investors, and implementing more effective enforcement judgment implementation. Several enhancements may be implemented to increase investor loyalty to the securities market and ensure that individuals who require it have access to an effective and fast dispute resolution system.

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