



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/MRD/ICC/ 8 /2013

March 18, 2013

All Stock Exchanges having nation-wide trading terminals

Dear Madam/Sir,

Sub: Arbitration Mechanism through Stock Exchanges - Introduction of Automatic Process and Common Pool of arbitrators.

SEBI has received inputs from investors regarding functioning of the arbitration mechanism at the Stock Exchanges. In light of which, you are advised to carry out the following changes in the arbitration mechanism.

1. List of Arbitrators on the panel of all stock exchanges having nation-wide trading terminals shall be pooled and will be called a 'Common Pool'. This list shall be made publicly available including by way of display on websites of the stock exchanges.
2. 'Common pool' of Arbitrators will consist of Arbitrators listed on the panels of all stock exchanges having nation-wide trading terminals. The pooling of arbitrators will be done centre-wise. To illustrate, the list of arbitrators on the panel of all stock exchanges for the region covered by the Delhi centre will be pooled. This would enable an applicant from the region to choose any arbitrator from the 'Common Pool' for Delhi.

If the client and member (stock broker, trading member or clearing member) fail to choose the Arbitrator(s) from the Common Pool, the Arbitrator(s) will be chosen by an 'Automatic Process' wherein neither the parties to arbitration (i.e. client or member) nor the concerned Stock Exchanges will be directly involved.

3. The 'Automatic Process' will entail a randomized, computer generated selection of Arbitrator, from the list of Arbitrators in the 'Common Pool'. The selection process shall be in chronological order of the receipt of arbitration reference i.e. only after selecting an arbitrator for the former arbitration reference received, selection for the latter shall be taken up.
4. The 'Automatic Process' will send a system generated, real time alert (sms, email etc.) to all entities involved in the particular case. Further, the communication for the appointment of the Arbitrator will be sent immediately and in any case not later than the next working day from the day of picking of the Arbitrator. This communication

will be sent by the stock exchange on which the dispute had taken place, to all concerned entities including clients, arbitrators, members, stock exchanges etc.

5. The selection of Arbitrators by Stock Exchanges as done currently, shall henceforth be replaced by the 'Automatic Process'.
6. In case of any probable conflict of interest in an arbitration reference being assigned to any Arbitrator the Arbitrator will have to upfront decline the arbitration reference. After the said arbitrator declines, the 'automatic process' will pick the name of another Arbitrator. This will continue till the time there is no conflict of interest, by the selected arbitrator. In this regard, the timelines mentioned at clause 5.3 in CIR/MRD/DSA/24/2010 dated August 11, 2010 of 30 days might get extended. However, SEs shall put on record the reasons of such extension.
7. In case of conflict of interest by the arbitrator, the information for the same may reach the stock exchange on which the dispute has taken place within 15 days of receipt of communication from the SE above. The said information may be sent by any method which ensures proof of delivery.
8. Fees of arbitrator shall be dealt in line with existing provisions, by the stock exchange on which the dispute had taken place.
9. The recognised stock exchanges with nation-wide trading terminals are advised to make necessary amendments to relevant bye-laws for the implementation of the above decision immediately.
10. SEBI inspection of stock exchanges shall cover implementation of this circular.
11. The circular is being issued in exercise of powers conferred upon SEBI under Section 11(1) of the Securities and Exchange Board of India Act, 1992.
12. This circular is being issued in partial modification of SEBI Circular No. CIR/MRD/DSA/24/2010 dated August 11, 2010 and will come into effect from 1st April 2013.
13. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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