

**DEPUTY GENERAL MANAGER
MARKET REGULATION DEPARTMENT**

MRD/DSA/SE/CIR-18/2009

December 2, 2009

**The Managing Directors / Chief Executive Officers /
Executive Directors of
All Stock Exchanges**

Sub: Limitation period for filing of Arbitration reference

1. The Secondary Market Advisory Committee (SMAC), reviewed the existing provisions in the Exchange Byelaws, which specify a limitation period of six months for reference of a complaint/claim/difference/dispute for arbitration.
2. While computing the said limitation period, the time taken in amicable settlement of claims, complaints, differences, disputes through the Investors Grievances Redressal Committee mechanism of the Exchange under its Rules, Bye-laws & Regulations is excluded.
3. Based on the recommendations of the SMAC, it has now been decided that the limitation period of six months shall be computed from the end of the quarter during which the disputed transaction(s) were executed. Along with the exclusion mentioned under para (2) above and subject to sufficient documentary proof, the period of one month from the date of receipt of complaint/claim/difference/dispute by the trading member or the actual time taken by the trading member from the date of receipt of

complaint/claim/difference/dispute by the trading member to the date of receipt of the trading member's last communication by the investor, to resolve / counter the complaint / claim/ difference/ dispute, whichever ends earlier, shall also be excluded.

4. Apart from the above, in certain instances it was observed by SEBI that the arbitration applications are being rejected on the grounds of having exceeded the limitation period, without going into the circumstances leading to the arbitration not being filed within the time period. In case the arbitration application is not filed within the limitation period for reasons beyond the control of the party, rejection of the same is not in the interest of investors. Accordingly, it has been decided that:

- The limitation period can be extended in certain cases for a further period of three months by the stock exchange.
- The stock exchange can decide on extending the limitation period for a period of three months, only after obtaining sufficient documentary proof in this regard and recording the reasons for the same in writing. In this regard, the party shall provide to the stock exchange sufficient documentary proof regarding the reasons for the delay in filing the arbitration case and the stock exchange shall examine, if the reasons / documentary proof submitted, for not filing the arbitration within the limitation period were indeed beyond the control of the party.

5. In view of the above, all the Stock Exchanges are advised to :-

- a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.

- b) bring the provisions of this circular to the notice of the member brokers of the Exchange and also to disseminate the same through their website.

- c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Report to SEBI.

This circular is being issued under Section 11(1) of the SEBI Act, 1992 to protect the interests of investors in securities markets and to promote the development of and to regulate the securities market.

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

Yours faithfully

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