



## **Consultation Paper**

### **Complaint Handling and Grievance Redressal**

#### **1. Objective**

1.1. The objective of this paper is to seek comments from public and other stakeholders on the draft regulatory framework for complaint handling and grievance redressal by the entities regulated by IFSCA.

#### **2. Statement of Object and Reasons**

2.1. The purpose of the proposed framework/ circular on “*Complaint Handling and Grievance Redressal*” is to specify the mechanism for handling of complaints of consumers by the regulated entities in the IFSC with the objective that the interests of the financial consumers are protected.

2.2. The proposed framework is based on standards laid down by global standard setting bodies in the financial markets and best practices followed in other international jurisdictions.

#### **3. Standards by Global Standard Setting Bodies**

##### **3.1. International Organization of Securities Commissions (IOSCO)**

3.1.1. IOSCO, the global standard setting body of the securities market, sets out 38 IOSCO Objectives and Principles of Securities Regulation (“Principles”), which are based upon three Objectives of securities regulation:

- a) ***protecting investors;***
- b) ensuring that markets are fair, efficient and transparent; and
- c) reducing systemic risk.

3.1.2. Investor protection is therefore one of the three main core objectives of IOSCO. The IOSCO Methodology<sup>1</sup> states, under Key Issue 10 for Principle 31 “Market Intermediaries” that – “*Market intermediaries should have an efficient and effective mechanism to address investor complaints.*” Recognizing the importance of fair and effective complaint handling and redress systems, Committee 8 on Retail Investors of IOSCO undertook a project aimed at

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<sup>1</sup> IOSCO Methodology for assessing implementation of the IOSCO Objectives and Principles of Securities Regulation available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD562.pdf>

providing an overview of investor complaint handling and redress mechanisms based on IOSCO members' practices and approaches. A report on "*Complaint Handling and Redress System for Retail Investors*" ("IOSCO Report")<sup>2</sup> was released by IOSCO in January 2021. The IOSCO Report provides analysis of the grievance redressal mechanisms based on four areas:

- a) Internal handling of complaints by financial service providers and authorized agents;
- b) Alternative dispute resolution (ADR) mechanisms for out-of-court resolution of disputes, including those established by public authorities and private sector entities;
- c) Mechanisms put in place by regulators to handle complaints against financial service providers and their representatives; and
- d) Judicial remedies, including class actions, when an investor demands compensation for harm caused by misconduct (compensatory redress), and injunctions, when an individual demands cessation of illegal practices.

3.1.3. The IOSCO Report provides a set of nine Sound Practices (**Annexure - 1**) intended to assist jurisdictions in developing their complaint handling mechanisms and making them more user-friendly.

## **3.2. International Association of Insurance Supervisors (IAIS)**

3.2.1. The mission of IAIS, the global standard setting body of insurance sector, is to:

- a) Promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and ***protection of policyholders***; and
- b) Contribute to global financial stability.

3.2.2. Therefore, protection of policyholders is one of the core objectives of IAIS. The Insurance Core Principles (ICPs) form the globally accepted framework for insurance supervision. In terms of policy guidance provided under 19.11 under ICP 19 on Conduct of Business, "*the supervisors should require insurers and intermediaries to handle complaints in a timely and fair manner*". The detailed guidance in this regard has been provided at **Annexure - 2**.

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<sup>2</sup> IOSCO Report on "*Complaint Handling and Redress System for Retail Investors*" available at- <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD670.pdf>

### **3.3. Basel Committee on Banking Supervision (BCBS)**

3.3.1. BCBS, the standard setting body of the banking sector globally, released a report titled *“Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion”*<sup>3</sup> (“BCBS Report”) in September 2016. Annex A of the BCBS Report provides details about the importance of financial consumer protection in the financial inclusion context. It has been mentioned in the BCBS Report that - *In the 2012 Core Principles, the BCBS acknowledged, as a precondition for effective banking supervision, that each jurisdiction needs a well developed public infrastructure in which consumer protection laws (and other business laws) are consistently enforced and provide a mechanism for the fair resolution of disputes. Several international bodies and jurisdictions have also placed increased emphasis on financial consumer protection and the linkages with financial stability, especially after the 2007–09 global financial crisis. In 2011, the G20 Finance Ministers and Central Bank Governors endorsed the High-level Principles on Financial Consumer Protection (High-level Principles) developed by the G20/OECD Task Force on Financial Consumer Protection in close cooperation with the Financial Stability Board, other global bodies, and consumer and industry associations international financial principles and guidelines, without addressing sector-specific issues dealt with by standard-setting bodies.*

### **3.4. G20/OECD High-Level Principles on Financial Consumer Protection**

3.4.1. The OECD High-Level Principles on Financial Consumer Protection were first endorsed by G20 Leaders on 3-4 November 2011 and adopted by the OECD Council on 17 July 2012. The Principles were originally developed by the G20/OECD Task Force on Financial Consumer Protection in response to the call from G20 Leaders to enhance financial consumer protection, as part of the strategic response to the global financial crisis. The Principles set out the elements of an effective and comprehensive financial consumer protection framework. The Principles were revised and updated in 2021/2022, following a comprehensive and inclusive review conducted by the G20/OECD Task Force on Financial Consumer Protection, in collaboration with the Global Partnership for Financial Inclusion.

3.4.2. Principle 12 is on Complaints Handling and Redress:

*Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Technology may be leveraged to facilitate the effective design of these mechanisms, which should*

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<sup>3</sup> BCBS Report on *“Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion”* available at <https://www.bis.org/bcbs/publ/d383.pdf>

*not impose unreasonable cost, delays or burdens on consumers. The needs of consumers, including those experiencing vulnerability, should be considered when designing and publicising complaints handling and redress mechanisms.*

*In accordance with the above, financial services providers and intermediaries should have in place mechanisms for complaint handling and redress. Such mechanisms should allow providers to monitor and address systemic issues and support improved financial consumer outcomes.*

*Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers' and intermediaries' internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public. Information relating to consumer complaints should be available to oversight bodies to support their supervisory or enforcement functions.*

#### **4. Global Practices - Handling of complaints by Financial Service Providers**

4.1. The IOSCO Report provides an analysis of the complaint handling mechanism by financial service providers (FSPs) in jurisdictions globally. It has *inter alia* been mentioned in the IOSCO Report that participating jurisdictions require financial service providers, by law, regulation, or SRO rule, to establish systems for handling retail investor complaints. Participating jurisdictions generally require a financial service provider to (a) inform investors about its complaint handling process, (b) respond to investor complaints within certain timeframes, and (c) advise investors of the availability of Alternate Dispute Resolution if they are dissatisfied with the financial service provider's response. The IOSCO Report also provides few examples of the different FSP complaint handling systems in some participating jurisdictions:

- a) In Argentina, complaints against FSPs involving routine matters are filed with the regulator's investor education unit; complaints alleging fraud or other more serious offenses are filed with the regulator's inspection and investigative office.
- b) In Australia, complaints about financial products and services that cannot be resolved by the FSP are escalated to Australia's single ADR body.
- c) In Bahrain, FSPs are required to have and document internal dispute resolution procedures for (a) receiving, investigating, recording and responding to complaints within appropriate timeframes; (b) referring unresolved complaints to arbitration or other appropriate external dispute resolution mechanisms; (c)

identifying and recording systemic issues; and (e) reporting complaint data.

- d) In Germany, FSP complaint handling systems must be effective, objective, transparent, and conflict-free; specific procedures may vary by FSP. All communication must be clear, in easily understandable plain language.
- e) In India<sup>4</sup>, investors can submit complaints through a centralized web-based grievance redress system operated by the regulator that automatically forwards complaints to the appropriate FSP; complaints can also be submitted to stock exchanges for redress of grievances against stockbrokers. Where an amicable solution cannot be reached, the regulator refers the investor to arbitration. Information on investor grievance redressal mechanisms is disseminated by both the regulator and the Market Infrastructure Institution during investor awareness activities and by prominently displaying on their respective websites.
- f) In Spain, retail investors can submit complaints to an FSP's customer service department (CSD) or its independent ombudsman (CO), either of which can process the complaint and request information from the investor and the FSP. Unless the matter is withdrawn by the investor or a settlement is reached, the CSD or the CO is required to issue a "well-reasoned" decision.

4.2. It may be noted that the sound practices by IOSCO in the report is mainly in respect of **retail investors**. It has been mentioned in the IOSCO Report that retail investors are important participants in the capital markets and the protection of their rights and interests is fundamental to the healthy and stable development of capital markets. When an investor or financial consumer is harmed by misconduct or illegal practices, the existence of effective mechanisms for addressing the issue is important not only for the aggrieved individual, but also for producing positive externalities such as improving market discipline and promoting investor confidence in financial markets.

4.3. Based on study of the practices by regulators in other international financial centres, it has been noted that the regulators have different approaches for "retail" investors, as compared to institutional or professional investors. Some examples are as under:

4.3.1. Dubai Financial Services Authority (DFSA)<sup>5</sup> has specified detailed requirements for complaints handling procedures for "retail" clients,

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<sup>4</sup> The reference to India in the IOSCO Report is w.r.t. framework by SEBI

<sup>5</sup> <https://dfsaen.thomsonreuters.com/rulebook/gen-9-complaints-handling-and-dispute-resolution>

compared to the requirements in respect of “professional” clients. The Rules specified by DFSA in respect of retail investors, *inter alia* provides guidance on the following aspects -

- a) Procedures for handling of written complaints
- b) Employees handling complaint (fair and impartial manner)
- c) Retail Client Awareness
- d) Retention of Records
- e) Systems and Controls
- f) Outsourcing the administration of complaints
- g) Other avenues for resolution of complaints

4.3.2. Monetary Authority of Singapore<sup>6</sup> has specified detailed requirements with respect to complaint handling by financial advisers when the complaint is made by retail investors (excluding accredited investors, expert investors and institutional investors). The regulations specified by MAS for retail investors, *inter alia* covers the following aspects:

- a) Obligation to establish unit to handle and resolve complaints
- b) Obligation to establish complaints handling and resolution process
- c) Oversight of compliance with Regulations
- d) Information on complaints handling and resolution process to be publicly available
- e) Establishment of system for managing complaints, etc.
- f) Biannual reports

## **5. IFSCA Act, 2019 and Regulations made thereunder**

5.1. IFSCA has been established with the objective to develop and regulate the financial services market in the International Financial Services Centres in India and for matters connected therewith or incidental thereto, as mentioned in the preamble of the IFSCA Act, 2019.

5.2. Section 12 of the IFSCA Act, 2019 provides the functions of IFSCA wherein it has been mentioned that it shall be the duty of the Authority to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres, by such measures as it deems fit.

5.3. Further, in terms of section 13 of the IFSCA Act, 2019, the regulatory powers of all the four financial services regulators in India, namely, RBI, SEBI, IRDAI and PFRDA have been vested in IFSCA with respect to regulation of financial institutions, financial services and financial products in the IFSC.

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<sup>6</sup> <https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulations-guidance-and-licensing/financial-advisers/regulations/financial-advisers-complaints-handling-and-resolution-regulations-2021.pdf>

5.4. Therefore, protecting the interests of the financial consumers is one of the core “regulatory” functions of a financial sector regulator and therefore, it is essential that there should be appropriate mechanism for handling of complaints of the consumers by the financial service providers.

5.5. IFSCA has specified the requirements for complaint handling and grievance redressal for regulated entities in the IFSC under the various regulations, as under:

Name of Regulations	Particulars
<b>IFSCA (Banking) Regulations, 2020</b>	Detailed requirements w.r.t complaint handling by IBUs have been specified in the IFSCA Banking Handbook
<b>IFSCA (Finance Company) Regulations, 2021</b>	<p><b>5. Permissible activities</b></p> <p>(3) A Finance Company or a Finance Unit intending to undertake either a single or a combination of non-core activities, shall fulfil the following conditions:</p> <p style="padding-left: 40px;">(c) It shall formulate Board approved grievance redressal and customer compensation policy to deal with such complaints.</p>
<b>IFSCA (Market Infrastructure Institutions) Regulations, 2021</b>	<p><b>Stock Exchange</b></p> <p>Requirements for grant of recognition</p> <p>8. ...</p> <p>(2) An applicant seeking recognition as a stock exchange shall, in addition to the conditions specified in sub-regulation (1), comply with the following conditions, namely, -</p> <p style="padding-left: 40px;">(g) the applicant has adequate investor grievances redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;</p> <p><b>Clearing Corporation</b></p> <p>(3) An applicant seeking recognition as a clearing corporation shall, in addition to the conditions specified in sub-regulation (1), comply with the following conditions, namely,-</p> <p style="padding-left: 40px;">(i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;</p> <p><b>Compliance Officer</b></p> <p>63. (1) A recognised market infrastructure institution shall appoint a compliance officer who shall be responsible for monitoring the</p>

	<p>compliance of the applicable laws including securities laws, compliances with IFSCA Act and rules and regulations made thereunder and for redressal of investors' grievances.</p>
<p><b>IFSCA (Capital Market Intermediaries) Regulations, 2021</b></p>	<p><b>Redressal of grievances</b></p> <p>16. (1) A registered capital market intermediary shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint.</p> <p>(2) The intermediary shall maintain records regarding investor grievances received by it and redressal of such grievances.</p> <p><b>Code of Conduct (Schedule III; Part A)</b></p> <p>A capital market intermediary shall endeavour to ensure that inquires and grievances of the investors are dealt with in a timely and appropriate manner.</p>
<p><b>IFSCA (Insurance Intermediary) Regulations, 2021</b></p>	<p><b>6. Conditions for grant of registration -</b></p> <p>(v) It shall take adequate steps for redressal of grievances of its clients;</p> <p><b>17. Board Approved Policy for comparison and distribution of insurance products -</b></p> <p>(1) Every Insurance intermediary shall have a Board or its equivalent approved policy on the manner of soliciting and servicing insurance policies.</p> <p>(2) Such approved policy, amongst others, shall include the approach to be followed by the Insurance intermediary in having multiple tie-ups, type of products sold, mode of solicitation, grievance redressal mechanism, reporting requirements and any other requirement with regard to different business segments and shall be reviewed at least once in three (3) years by its Board or its equivalent.</p> <p><b>Code of Conduct</b></p> <p>PART-A: INSURANCE BROKER</p> <p>Conduct in relation to receipt of complaints — Every insurance broker shall: -</p> <ol style="list-style-type: none"> <li>i. ensure that letters of instruction, policies and renewal documents contain details of complaints handling procedures;</li> <li>ii. accept complaints either by phone or in writing, including through electronic mode;</li> <li>iii. acknowledge a complaint within fourteen (14) days from its receipt, advise the member of staff who will be dealing with the complaint and the timetable for dealing with it;</li> </ol>



	<p>iv. ensure that response letters are sent along with information about remedies available, if complainant is not satisfied with the response;</p> <p>v. ensure that complaints are dealt with at a suitably senior level;</p> <p>vi. have in place a system for recording and monitoring complaints.</p> <p>PART-B: THIRD PARTY ADMINISTRATORS (TPAs)</p> <p>(j) have effective grievance management systems in place and ensure timely resolution of grievances;</p> <p>(k) ensure to resolve the grievances or disputes with hospitals or network providers expeditiously and ensure that the policyholder is not adversely affected due to such disputes;</p> <p>PART-D: CORPORATE AGENT</p> <p>(n) ensure that letters of instructor, policies and renewal documents contain details of complaints handling procedures;</p> <p>(o) accept complaints either by phone or in writing;</p> <p>(p) acknowledge a complaint within fourteen (14) days from the receipt of correspondence, advise the member of staff who will be dealing with the complaint and the timetable for dealing with it;</p> <p>(q) ensure that response letters are sent and inform the complainant of what he may do if he is unhappy with the response;</p> <p>(r) ensure that complaints are dealt with at a suitably senior level;</p> <p>(s) have in place a system for recording and monitoring complaints.</p>
<p><b>IFSCA (Insurance Products and Pricing) Regulations, 2022</b></p>	<p><b>15. Grievance Management:</b> Every insurance policy shall necessarily specify the grievance management procedures of an IIO, which shall be in accordance with the principles as specified by the Authority.</p>
<p><b>IFSCA (Fund Management) Regulations, 2022</b></p>	<p>PART B: CODE OF CONDUCT AND OBLIGATIONS OF FIDUCIARIES (DIRECTORS / DESIGNATED PARTNERS / TRUSTEES OF THE FUND)</p> <p>(ix) ensure before the launch of any scheme that it has, -</p> <p style="padding-left: 40px;">d) designated a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority or the Central Government and for redressal of investors grievances;</p> <p>PART C: CODE OF CONDUCT AND OBLIGATIONS OF PRINCIPAL OFFICER, FUND MANAGER AND COMPLIANCE OFFICER</p>

	<p>(f) The KMP designated as compliance officer shall -</p> <p>(i) be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority and for redressal of investors grievances immediately.</p> <p>Confirmations &amp; Declarations</p> <p>We shall ensure that the key activities of Investment decision, portfolio management and grievance handling shall be undertaken from IFSC.</p>
<p><b>IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023</b></p>	<p><b>19. Policyholders' Protection:-</b></p> <p>(1) The provisions of this regulation shall be applicable to every IIO for all their direct insurance businesses.</p> <p>(2) Every IIO and IIIIO shall formulate a policy, duly approved by its Board, for protection of interest of the policyholders;</p> <p>(3) Such policy shall, inter-alia, include the following -</p> <p>....</p> <p>(f) policyholder-centric governance by the IIO with emphasis on grievance redressal and to fulfil their obligations towards policyholders;</p> <p>(g) procedure for expeditious resolution of complaints;</p>
<p><b>IFSCA (Payment Services) Regulations 2024</b></p>	<p><b>Redressal of grievances and dispute resolution</b></p> <p>29. (1) A Payment Service Provider shall depute adequate staff at its permanent place of business or registered office in IFSC to address any queries, complaints or grievances from a Payment Service User that uses one or more of the payment services provided by the Payment Service Provider and shall do so within a period of thirty days from receipt of a complaint or a grievance.</p> <p>(2) Payments Service Users shall be provided with one or more channels – web-based or paper-based complaint form, IVR, mobile application, call centre, SMS, through branches or offices, etc. – for raising queries and for lodging complaints and grievances.</p> <p>(3) Disputes between a Payment Service User and a Payment Service Provider, which could not be resolved by the internal grievance redressal mechanism in sub-section (1), shall be resolved by harnessing online conciliation and/or online arbitration in the manner as specified by the Authority.</p> <p>(4) A Payment Service Provider shall maintain records regarding queries, complaints and grievances received by it and redressal of such complaints and grievances.</p>

## 6. Proposed Regulatory Framework for 'Grievance Redressal and Complaint Handling'

- 6.1. As mentioned above, one of the core regulatory objectives of IFSCA is to protect the interests of the consumers so as to promote confidence of investors and other consumers in the financial market and maintain the integrity of the financial market in the IFSC. In order to protect the interests of consumers, it is essential that the regulated entities have adequate mechanisms in place for grievance redressal, including handling complaints.
- 6.2. IFSCA has already specified certain requirements for regulated entities to have policy for grievance redressal. However, the detailed norms and procedures in this regard have been specified only in respect of certain services (such as banking<sup>7</sup> and insurance intermediaries). Further, the norms have been issued separately for each financial service and the requirements may therefore differ depending upon the financial service.
- 6.3. It is proposed that detailed norms and requirements may be specified for grievance redressal and handling of consumer complaints by the regulated entities. The regulatory norms may be aligned across the financial services to the extent possible. This will promote ease of doing business, particularly for regulated entities having multiple registrations / authorizations / licenses with IFSCA for undertaking various financial services in the IFSC.
- 6.4. Further, in this context, it may be noted that the KYC, AML and CFT norms by regulated entities are already aligned and uniform across all the verticals such as banking, insurance, capital markets, fund management, fintech and other permitted financial products and services.
- 6.5. A draft circular specifying the detailed requirements for "*Grievance Redressal and Complaint Handling*" for the regulated entities in the IFSC is placed at **Annexure - A**.
- 6.6. The salient features of the proposed framework are as follows:

### 1. Applicability:

This circular shall apply to all entities regulated by IFSCA, dealing with any Consumer or Client other than their Group Entities, except for entities that are in the nature of business where they do not deal with retail consumers such as Foreign Universities / Foreign Educational Institutes, Ancillary Service Providers, BATF Service Providers and Finance Companies engaged in Ship Leasing, Aircraft leasing and Global/Regional Corporate Treasury Centres.

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<sup>7</sup> IFSCA Banking Handbook

## **2. Two pronged approach – Retail vs. Professional Consumers**

### ***I. Regulated Entities dealing with only Professional Consumers***

Regulated Entity dealing with only Professional Consumers shall have a policy on handling of complaints and grievance redressal, duly approved by its Board. The policy shall have adequate mechanisms for receiving, handling and redressal of complaints in a fair, transparent and timely manner. The complaints handling policies and procedures of the regulated entity shall also consider the nature, scale and complexity of its business along with its size and organizational structure.

### ***II. Regulated Entities dealing with Retail Consumers***

Regulated Entity dealing with Retail Consumers shall have a policy on handling of complaints and grievance redressal, duly approved by its Board. The policy of the Regulated entity shall be consistent with the norms and requirements specified in the circular, including the procedures and timelines for handling of complaints, as mentioned below:

#### ***A. Handling complaints and grievance redressal***

- a) On receipt of a complaint, Complaint Redressal Officer (“CRO”) of the Regulated Entity shall make an assessment on the merits of the complaint. Pursuant to assessment,
  - i. In case of acceptance, the Regulated Entity shall acknowledge acceptance of complaints, in writing, within 2 working days of receipt of the complaint.
  - ii. In case of non-acceptance, the Regulated Entity shall inform the complainant within 5 working days along with reasons.
- b) The Regulated Entity shall examine and process the complaint in a fair, transparent and independent manner.
- c) The Regulated Entity shall ensure that the CRO has sufficient authority to resolve the complaint or has access to individuals with the necessary authority to be able to handle the complaint in a fair and impartial manner:

*Provided that, in case the CRO is or was involved in the conduct of the financial service about which the complaint has been made, the complaint will be handled by another officer designated by the Regulated Entity in a fair and impartial manner.”*

- d) The Regulated Entity may ask for additional information from the complainant during processing of the complaint.
- e) The Regulated Entity shall dispose of complaints preferably within 15 days but ordinarily not more than 30 days of acceptance of complaint. The Regulated Entity may either resolve the complaint or reject the complaint.
- f) In case of rejection of a complaint, the Regulated Entity shall give reasons for rejection of the complaint, in writing.

*B. Appeal Mechanism*

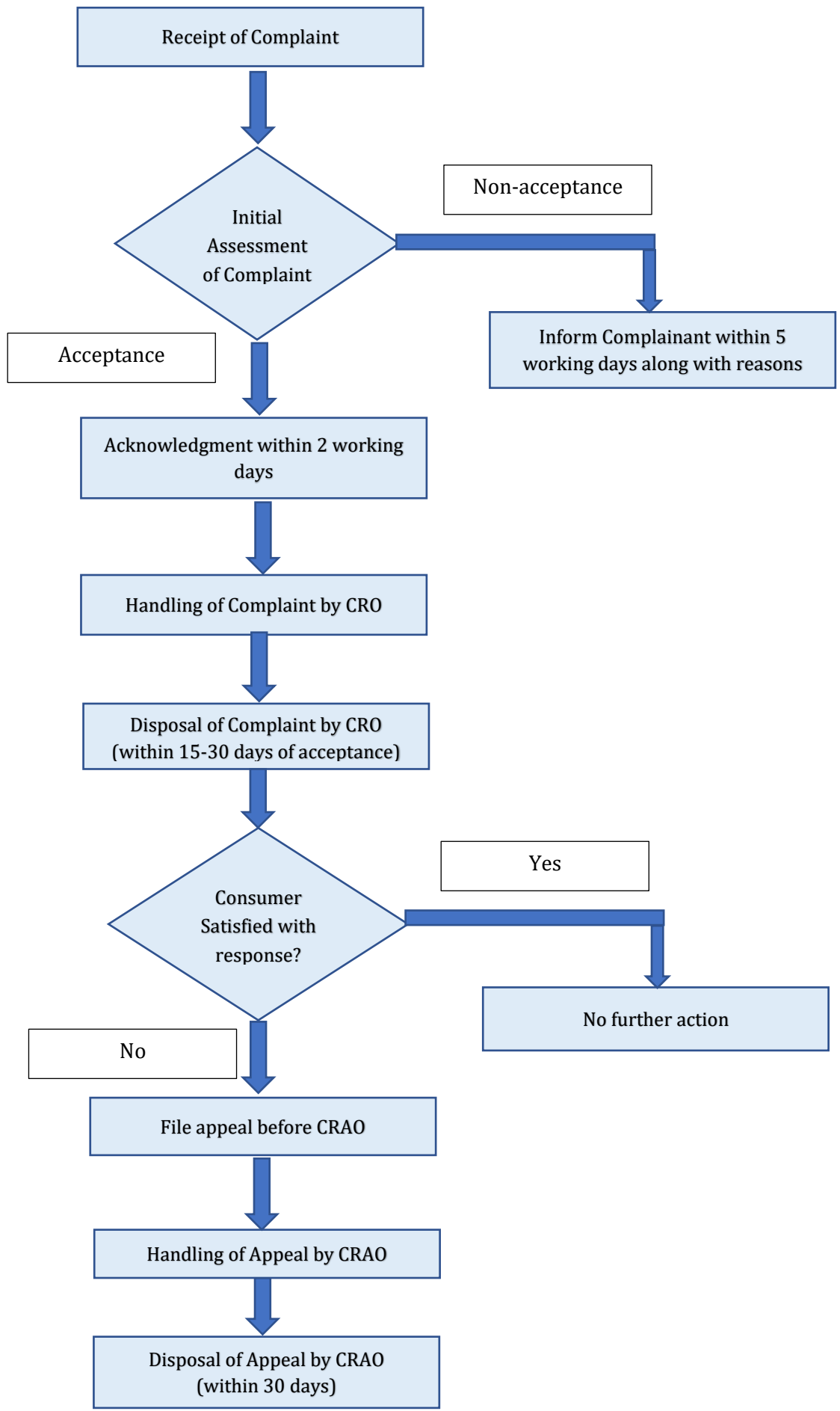
- a) In case a complainant is not satisfied with the resolution provided by the Regulated Entity or in case of rejection of complaint, the complainant may file an appeal before a Complaint Redressal Appellate Officer (“CRAO”) designated by the Regulated Entity.
- b) The CRAO of a Regulated Entity shall be at the level of a Key Managerial Personnel identified by the entity in accordance with the applicable Regulations specified by the Authority:

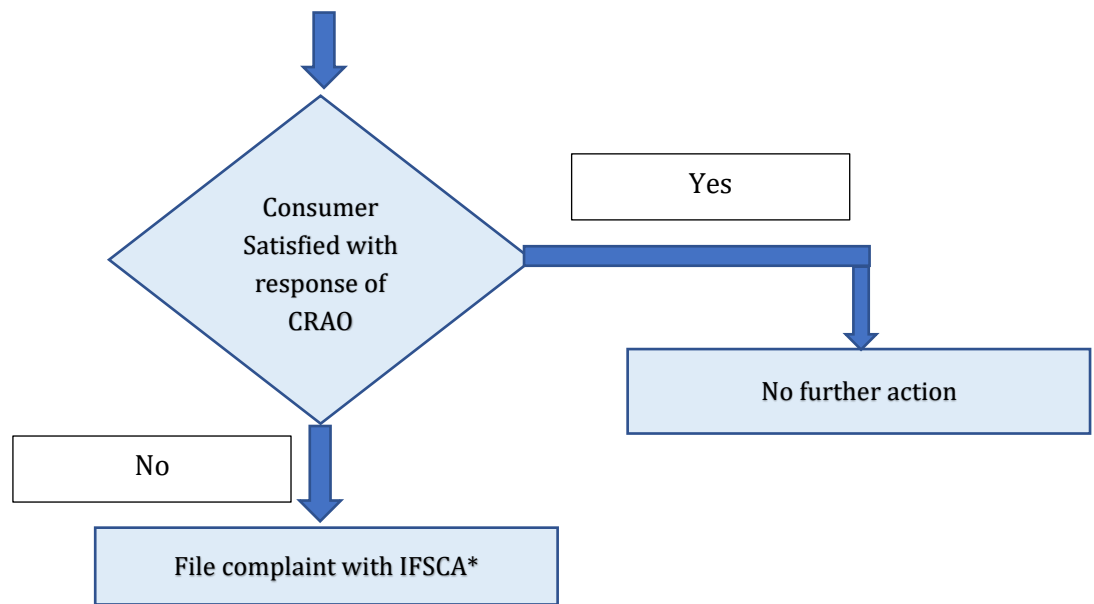
*Provided* that in case the Regulated Entity is in the form of branch in the IFSC, the Key Managerial Personnel of the Parent Entity may be designated as CRAO, subject to the same being permitted in the regulations under which the Regulated Entity is registered or authorized or licensed with the Authority.

However, the Regulated Entity shall continue to be responsible for ensuring compliance with the requirements specified by the Authority.

- c) The CRAO shall dispose of the appeal within a period of 30 days.

The proposed *complaint* handling mechanism has been depicted as below:





(\* This is without prejudice to consumer availing any alternate dispute resolution mechanism as per law)

### 3. Disclosures on Website

The policy on Complaint Handling and Grievance Redressal shall be prominently disclosed on the website of the Regulated Entity or on a dedicated webpage of its Group Entity, as applicable, under the heading “Complaints and Grievance Redressal”.

Where the Regulated Entity is dealing with Retail consumers, the name and contact details of the Complaint Redressal Officer and the Complaint Redressal Appellate Officer shall also be prominently displayed under this section.

### 4. Maintenance of Records

- a) The Regulated Entity shall maintain all records relating to handling of complaints, including the following:
  - i. Complaints received and processed
  - ii. All correspondence exchanged between the Regulated Entity and the complainants
  - iii. All information and documents examined and relied upon by the Regulated Entity while processing of the complaints
  - iv. Outcome of the complaints
  - v. Reasons for rejection of complaints, if any
  - vi. Timelines for processing of complaints

vii. Data of all complaints handled by the entity

- b) The Regulated Entity shall maintain records in electronic retrieval form for the same period as mandated by the Authority under the applicable regulations and circulars, handbooks, guidelines thereunder:

*Provided* that in case there is no specific mention of such time period, the record shall be maintained for at least six years from the date of disposal of complaint:

*Provided further* that in case of any pending litigation or legal proceeding relating to the complaint, the record shall be maintained for the applicable period after final disposal of the proceeding.

## **5. Reporting**

- a) The Regulated Entity shall file reports on handling of complaints in the form and manner specified by the Authority from time to time.
- b) The Regulated Entity shall have a section with heading “Complaint Handling and Grievance Redressal” in its Annual Report, if required to file under the relevant laws. The section shall also provide data of all complaints received, resolved, rejected and pending during the year in a tabular/ graphical format.

## **6. Online Complaint Management System**

A Regulated Entity may choose to develop an online system for handling complaints depending upon the nature, scale and complexity of its business along with its size and organizational structure

## **7. Role of Compliance Officer**

The Compliance Officer of a Regulated Entity shall be responsible for handling and disposal of complaints in accordance with the regulatory requirements specified by IFSCA.

*Explanation:* The responsibilities on any other official (such as principal officer) w.r.t. grievance redressal mentioned in the regulations, under which the Regulated Entity is registered or authorized or licensed with the Authority, shall also continue to apply.



## 7. Public Comments

7.1. In view of the above, comments and suggestions from public and stakeholders are invited on the proposed regulatory framework for Complaint Handling and Grievance Redressal. The comments may be sent by email to Shri Akash Boddeda at [akash.boddeda@ifsc.gov.in](mailto:akash.boddeda@ifsc.gov.in) with a copy to Shri Arjun Prasad, General Manager at [arjun.pd@ifsc.gov.in](mailto:arjun.pd@ifsc.gov.in) and Shri Manan Kataria at [manan.kataria@govcontractor.in](mailto:manan.kataria@govcontractor.in) with subject line “**Comments on draft circular on Complaint Handling and Grievance Redressal**” latest by **September 20, 2024**.

7.2. The comments should be provided in the following format:

<b>Name and Designation</b>				
<b>Contact No. and Email address</b>				
<b>Name of Organisation</b>				
<b>S. No.</b>	<b>Clause No.</b>	<b>Text of the Clause</b>	<b>Comments/ Suggestions/ Suggested modifications</b>	<b>Detailed Rationale</b>

**August 30, 2024**  
**Gandhinagar**

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## Annexure A

### Draft Circular on “Complaint Handling and Grievance Redressal”



## CIRCULAR

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**F. No.**

**Sept. xx, 2024**

To,

### **1. All Regulated Entities in the IFSC**

Madam/Sir,

### **Sub: Complaint Handling and Grievance Redressal**

One of the core objectives of a financial sector regulator is to protect the interests of the financial consumers. Financial consumers should be protected from misleading practices, misuse of their assets and other misconduct by the financial service providers. It is therefore necessary to have adequate mechanisms in place by the financial service providers for handling of complaints and grievance redressal of the financial consumers. Accordingly, it has been decided that the regulated entities in the IFSC shall follow the below mentioned norms and requirements for handling of complaints of their consumers:

### *2. Applicability*

- a) This circular shall apply to all entities regulated by IFSCA, dealing with any Consumer or Client other than their Group Entities:

*Provided that* this circular shall not apply to a Foreign University or a Foreign Educational Institution or any Ancillary Service Provider or a BATF Service Provider or a finance company engaged in aircraft leasing or ship leasing or global/regional corporate treasury centre in the IFSC.

- b) This circular shall come into force with effect from \_\_\_\_ .

### *3. Definitions*

- a) “Ancillary Service Provider” shall mean an entity authorized by IFSCA for the purpose of providing ancillary services as defined under clause 1(B) of the circular

titled “Framework for enabling Ancillary services at International Financial Services Centres” dated February 10, 2021 as amended from time to time;

- b) “BATF Service Provider” shall have the same meaning as assigned to it under Regulation 3(1)(g) of the IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024;
- c) “Complaint Redressal Appellate Officer” or “CRAO” shall be a senior level person of the Regulated Entity designated for handling appeals of consumers against the decision taken by the Complaint Redressal Officer of the Regulated Entity;
- d) “Complaint Redressal Officer” or “CRO” shall be an employee of the Regulated Entity responsible for handling of complaints received from its consumers;
- e) “Consumer” or “Client” or “Customer” shall have the same meaning as assigned to it under clause 1.3.11 of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022;
- f) “Foreign Educational Institution” shall have the same meaning as assigned to it under regulation 3(1)(iii) of the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022;
- g) “Foreign University” shall have the same meaning as assigned to it under regulation 3(1) (iv) of the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022;
- h) "Group Entity" means an entity of a business group that consists of a parent company or of any other type of legal person exercising control over the rest of the group, together with branches and/or subsidiaries;
- i) “Professional Consumer” shall mean an accredited investor as covered under the circular titled ‘Accredited Investors in IFSC’ dated January 25, 2024, as amended; a professional client as covered under the IFSCA Banking Handbook, as amended; or a corporate policy holder;
- j) “Regulated Entity” shall have the same meaning as assigned to it under clause 1.3.35 of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022;
- k) “Retail Consumer” for the purpose of this circular shall mean a consumer of a Regulated Entity other than Professional Consumer.

#### *4. Regulated Entities dealing with Professional Consumers*

- a) A Regulated Entity dealing with only Professional Consumers shall have a policy on handling of complaints and grievance redressal, duly approved by its Board.

The policy shall have adequate mechanisms for receiving, handling and redressal of complaints in a fair, transparent and timely manner.

- b) The complaints handling policies and procedures of the regulated entity shall consider the nature, scale and complexity of its business along with its size and organizational structure.
- c) The policy on Complaint Handling and Grievance Redressal shall be prominently disclosed on the website of the Regulated Entity or on a dedicated webpage of its Group Entity, as applicable, under the heading “Complaints and Grievance Redressal”.

#### *5. Regulated Entities dealing with Retail Consumers*

##### *A. Policy for Complaint Handling and Grievance Redressal*

- a) A Regulated Entity dealing shall have a policy on Complaint Handling and Grievance Redressal, duly approved by its Board. The policy shall have adequate mechanisms for receiving, handling and redressal of complaints in a fair, transparent and timely manner.
- b) The policy shall clearly define what constitutes a ‘complaint’ depending upon the nature of financial products and services undertaken by the Regulated Entity in the IFSC. An indicative list of matters not considered as ‘complaint’ has been mentioned at Schedule-I of this circular.
- c) The policy of the Regulated entity shall be consistent with the requirements specified in this circular or any other regulatory requirements specified by the Authority from time to time.
- d) The policy on Complaint Handling and Grievance Redressal shall be prominently disclosed on the website of the Regulated Entity or on a dedicated webpage of its Group Entity, as applicable, under the heading “Complaints and Grievance Redressal”. The name and contact details of the Complaint Redressal Officer and the Complaint Redressal Appellate Officer shall also be prominently displayed under this section.

##### *B. Handling complaints and grievance redressal*

- a) On receipt of a complaint, CRO of the Regulated Entity shall make an assessment on the merits of the complaint. Pursuant to assessment,
  - i. In case of acceptance, the Regulated Entity shall acknowledge acceptance of complaints, in writing, within 2 working days of receipt of the complaint.

- ii. In case of non-acceptance, the Regulated Entity shall inform the complainant within 5 working days along with reasons.
- b) The Regulated Entity shall examine and process the complaint in a fair, transparent and independent manner.
- c) The Regulated Entity shall ensure that the CRO has sufficient authority to resolve the complaint or has access to individuals with the necessary authority to be able to handle the complaint in a fair and impartial manner:

*Provided* that, in case the CRO is or was involved in the conduct of the financial service about which the complaint has been made, the complaint will be handled by another officer designated by the Regulated Entity in a fair and impartial manner.

- d) The Regulated Entity may ask for additional information from the complainant during processing of the complaint.
- e) The Regulated Entity shall dispose of complaints preferably within 15 days but ordinarily not more than 30 days of acceptance of complaint. The Regulated Entity may either resolve the complaint or reject the complaint.
- f) In case of rejection of a complaint, the Regulated Entity shall give reasons for rejection of the complaint, in writing.

#### *C. Appeal Mechanism*

- a) In case a complainant is not satisfied with the resolution provided by the Regulated Entity or in case of rejection of complaint, the complainant may file an appeal before a CRAO.
- b) The CRAO of a Regulated Entity shall be at the level of a Key Managerial Personnel identified by the entity in accordance with the applicable Regulations specified by the Authority:

*Provided* that in case the Regulated Entity is in the form of branch in the IFSC, the Key Managerial Personnel of the Parent Entity may be designated as CRAO, subject to the same being permitted in the regulations under which the Regulated Entity is registered or authorized or licensed with the Authority.

However, the Regulated Entity shall continue to be responsible for ensuring compliance with the requirements specified by the Authority.

- c) The CRAO shall dispose of the appeal within a period of 30 days.

#### *6. Complaint before the Authority*

Where a complainant is not satisfied with the decision of the Regulated Entity and has exhausted the appeal mechanism of the Regulated Entity, the complainant may consider filing a complaint before the Authority through email to \_\_\_\_\_.

#### 7. *Maintenance of records*

- a) The Regulated Entity shall maintain all records relating to handling of complaints, including the following:
- i. Complaints received and processed
  - ii. All correspondence exchanged between the Regulated Entity and the complainants
  - iii. All information and documents examined and relied upon by the Regulated Entity while processing of the complaints
  - iv. Outcome of the complaints
  - v. Reasons for rejection of complaints, if any
  - vi. Timelines for processing of complaints
  - vii. Data of all complaints handled by the entity
- b) The Regulated Entity shall maintain records in electronic retrieval form for the same period as mandated by the Authority under the applicable regulations and circulars, handbooks, guidelines thereunder:

*Provided* that in case there is no specific mention of such time period, the record shall be maintained for at least six years from the date of disposal of complaint:

*Provided further* that in case of any pending litigation or legal proceeding relating to the complaint, the record shall be maintained for the applicable period after final disposal of the proceeding.

#### 8. *Reporting*

- a) The Regulated Entity shall file reports on handling of complaints in the form and manner specified by the Authority from time to time.
- b) The Regulated Entity shall have a section with heading “Complaint Handling and Grievance Redressal” in its Annual Report, if required to file under the relevant laws. The section shall also provide data of all complaints received, resolved, rejected and pending during the year in a tabular/ graphical format.

#### 9. *Online system for handling complaints*

A Regulated Entity may choose to develop an online system for handling complaints depending upon the nature, scale and complexity of its business along with its size and organizational structure.

#### *10. Role of Compliance Officer*

The compliance officer of a Regulated Entity shall be responsible for handling and disposal of complaints in accordance with the regulatory requirements specified by IFSCA.

*Explanation:* The responsibilities on any other official (such as principal officer) w.r.t. grievance redressal mentioned in the regulations, under which the Regulated Entity is registered or authorized or licensed with the Authority, shall also continue to apply.

#### *11. Action*

The Authority may take such action, as deemed fit, under the provisions of IFSCA Act, 2019 and Regulations issued thereunder against a Regulated Entity for any non-compliance of the requirements specified by the Authority.

The requirements in this circular are in addition to the requirements on this subject matter contained in any other regulations specified by IFSCA. In case any provision of this circular is found to be in contravention with any provision of any applicable Act, Rule or Regulation, then such provision of the applicable Act, Rule or Regulation shall prevail.

Module No. 10 of the Conduct of Business Directions-v6.0 of the IFSCA Banking Handbook stands superseded from the date of this circular coming into effect.

This Circular is issued in exercise of powers conferred by Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.

A copy of this circular is available on the website of International Financial Services Centres Authority at [www.ifsca.gov.in](http://www.ifsca.gov.in)

Yours faithfully,

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### **Schedule - I**

- 1) Anonymous complaints (except whistleblower complaints)
- 2) Incomplete or un-specific complaints
- 3) Allegations without supporting documents
- 4) Suggestions or seeking guidance/explanation
- 5) Complaints on matters not relating to the financial products or services provided by the Regulated Entity
- 6) Complaints about any unregistered/ un-regulated activity



## **Annexure – 1: Sound Practices**

### **IOSCO Report on Complaint Handling and Redress System for Retail Investors**

#### **1) SP1: Establishing a system for handling retail investor complaints**

In most, if not all, Participating Jurisdictions, Financial Service Providers (“FSPs”) are required to establish complaint handling systems for retail investors that are fair, transparent, and efficient. Regulators in jurisdictions without such a requirement may wish to consider developing one. Based on the survey, most jurisdictions’ complaint handling systems should be reasonably designed to (a) provide notice to investors how their complaints will be handled, (b) process investor complaints within a reasonable period, and (c) inform investors of the availability of ADR or civil litigation to resolve disputes. Provided these criteria and relevant regulatory requirements are met, FSPs are able to develop their own internal procedures for handling retail investor complaints as appropriate for their organization. Complaint handling systems may benefit retail investors by helping to provide accessible, affordable, fair, accountable, timely and efficient methods of resolving complaints that may increase investor protection and investors’ confidence in the markets.

#### **2) SP2: Taking steps to raise investor awareness of various available complaint handling systems**

According to the survey, in many jurisdictions, FSPs typically inform retail investors about their complaint handling systems, including ADR, by posting information on their websites and distributing brochures and hard copy materials. The goal of providing such information is to enable investors to easily find out how to submit a complaint, how the process works, and what to expect. Information presented in clear, understandable language, with a minimum of legal jargon, helps investors navigate the process. The more investors know, the less they will be confused about how their complaints will be handled.

#### **3) SP3: Making available as many channels as possible for retail investors to submit complaints**

According to the survey, in most jurisdictions, FSPs accept complaints from retail investors through a variety of channels. Searching for new channels to communicate with investors could encourage investors to take advantage of complaint handling procedures, including the escalation process.

#### **4) SP4: Taking steps to support complaint handling systems**

According to the survey, such efforts typically include (a) ensuring the availability of adequate manpower and other resources, (b) providing adequate training of relevant staff on the complaint resolution process; and (c) ensuring that responsibilities and mandates are delegated to facilitate resolution of routine complaints and the escalation of serious, non-routine complaints.

**5) SP5: Encouraging FSPs to offer a wide range of resolutions to retail investor complaints**

Survey responses showed a wide variety of possible resolutions that FSPs may offer to resolve investor complaints, including, among others, an explanation/apology, refund/payment compensation, changing contract and system improvements. Many jurisdictions' laws or regulations limit the types of dispute resolution or types of civil litigation process investors can use to pursue their claims. Where possible, however, FSPs may wish to consider creative complaint resolutions that do not negatively impact a fair and efficient resolution for investors.

**6) SP6: Using complaint data to identify areas for new or enhanced investor education initiatives**

According to the survey, a large number of complaints may indicate various types of potential misconduct or fraud; it may also indicate a misunderstanding on the part of investors that could be addressed by investor education. Programs to help investors recognize fraud could help them avoid such problems in the future.

**7) SP7: Using complaint data for regulatory and supervisory purposes**

According to the survey, many jurisdictions analyse investor complaints as a possible indicator of possible misconduct or fraud to be pursued by supervisory or regulatory enforcement authorities or possible gaps in policy and regulation. Other jurisdictions may wish to do so as well.

**8) SP8: Seeking input from retail investors about their experience with complaint handling systems**

According to the survey, few FSPs ask investors about their satisfaction with the complaint handling process. It is true that investors dissatisfied with the outcomes they received would be unlikely to have anything positive to say. Even so, a regulator might find kernels of insight that could lead to improvements in the process. Also, in some cases, an investor's primary goal in using a complaint handling system may be to ensure that a particular concern is communicated to an FSP or regulator as opposed to leading to a particular outcome.

**9) SP9: Making ADR facilities operated by or affiliated with a regulator more accessible for retail investors**

Survey responses reflect the importance of ADR in resolving retail investor complaints in many jurisdictions. In light of this, regulators with oversight over or affiliation with ADR bodies may wish to consider (a) simplifying ADR and the instructions for using it so that retail investors can understand and use ADR effectively; (b) publishing ADR statistics to promote transparency into the process and results of these proceedings, and (c) suspending firms and professionals that fail to pay awards.

## Annexure - 2

### **ICP 19 Conduct of Business**

#### **19.11 The supervisor requires insurers and intermediaries to handle complaints in a timely and fair manner.**

19.11.1 A complaint can be defined as an expression of dissatisfaction about the service or product provided by an insurer or intermediary. It may involve, but should be differentiated from, a claim and does not include a pure request for information.

19.11.2 Insurers and intermediaries should establish policies and processes to deal in a fair manner with complaints which they receive. These should include keeping a record of each complaint and the measures taken for its resolution.

19.11.3 Insurers and intermediaries should make information on their policies and processes on complaints handling available to customers.

19.11.4 Insurers and intermediaries should respond to complaints without unnecessary delay; complainants should be kept informed about the handling of their complaints.

19.11.5 Insurers and intermediaries should analyse the complaints they receive to identify trends and recurring risks. Analysis of what leads to individual complaints can help them to identify, and enable them to correct, common root causes.

19.11.6 Insurers should analyse complaints that they receive against intermediaries in respect of products that the intermediaries have distributed on their behalf, to enable them to assess the complete customer experience and identify any issues that need to be addressed.

19.11.7 Supervisors may choose to have their own complaints monitoring systems in place in order to benefit from the findings resulting from policyholder complaints.

19.11.8 Some insurers and intermediaries may decide to establish a mechanism to review complaints, in order to ensure respective policies on complaint handling are in place.

#### *Independent dispute resolution mechanisms*

19.11.9 It is important that there are simple, affordable, easily accessible and equitable mechanisms in place, independent of insurers and intermediaries, to resolve disputes that have not been resolved by the insurer or intermediary. Such mechanisms, collectively referred to here as Independent Dispute Resolution (IDR) mechanisms, may vary across jurisdictions and may include mediation, an independent review organisation, or an ombudsman. These are out of court mechanisms.

19.11.10 IDR mechanisms often operate on the basis of a code of procedure, or in some cases legislative rules, and may be restricted to retail policyholders. They are sometimes free of charge for such policyholders. Decisions are generally non-binding for the policyholder but may be binding for the insurer or intermediary within certain limits. As consumers may still avail themselves of court processes if the dispute is not satisfactorily resolved, it is usually agreed that the period of limitation is suspended during an IDR procedure.

19.11.11 Mediators serving IDR mechanisms should meet high standards of professional knowledge, integrity and competence. This would be evidenced, for example, where the mediator is qualified to exercise the functions of a judge and is well grounded in the field of insurance law. Although IDR mechanisms are usually financed by insurers and/or intermediaries, their mediators must be independent from them. Doubts over independence may be expected if the mediator:

- is subject to instructions from insurers/intermediaries;
- is a former employee of an insurer/intermediary; or
- simultaneously performs other functions which could affect their independence.