

Annexure 1

Standard Operating Procedure (SOP) for handling of Claims of Investors from IPF of stock exchanges in case of default by Trading Members (TMs)

| SN. | Action | Process to be followed | Maximum Timeline |
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| 1. | Disablement of the Trading Member (TM) | The stock exchange shall disable the TM on account of trigger of SOP as per SEBI Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 , dated July 01, 2020 and as per Section 75, Chapter VIII of SEBI Master Circular on Stock Brokers dated May 22, 2024. | T day |
| 2. | Information to Investors about disablement of the TM | ➤ The stock exchange shall issue the public notice on its website | T day |
| | | ➤ The stock exchange should intimate investors through SMS and e-mail on their registered mobile no. and e-mail ID. | T+1 day |

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| 3. | Pre-filled forms to be sent to clients providing information regarding balances with the TM | <ul style="list-style-type: none"> ➤ The stock exchange shall provide a prefilled claim form to the client containing details of their funds and securities balances with TM as per information available with the stock exchange and trades data for 90 days prior to disablement of the TM. ➤ The prefilled form would also include the details available with the exchange such as PAN, address, e-mail ID, mobile no, etc. ➤ The information w.r.t. funds and securities balances to be provided to the client would be provisional as it would be without verification about its correctness/ completeness. | T+15 days |

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| | | <ul style="list-style-type: none"> ➤ The exchange may mention that the claims would be processed as per the provisions of SEBI Circulars and Regulations and as per Rules, Regulations, Bye-laws of the stock exchange. ➤ The stock exchange can send the pre-filled claim forms to the clients on their registered e-mail IDs, if available with the exchange. The stock exchange shall provide physical copies of the claim forms on request of the investor. | |
| 4. | Submission of claim forms by the client of defaulting TM | <ul style="list-style-type: none"> ➤ The client would be required to fill claim forms either online or offline, by making necessary changes in the pre-filled claim form and providing additional details. ➤ Supporting documents such as relevant bank statements, demat statements, client ledger, etc. needs to be provided along with the claim form. ➤ The client should provide the bank account details for disbursement of the amount at this stage itself in case the claim is admitted. ➤ Exchange may seek additional documents, if required, on case to case basis. | T+75 days |

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| 5. | Declaration of default of the TM | <ul style="list-style-type: none"> ➤ The exchange will declare the TM a defaulter after completing the due process for declaring a TM as a defaulter. ➤ Extension of timeline beyond T+120 days, if any, for declaration of default of the TM would be subject to approval of SEBI. ➤ The notice should also invite claims, from those clients who have not submitted their claims earlier, along with all supporting documents. | T+120 days |
| 6. | Intimation to investors about declaration of TM as a defaulter. | <ul style="list-style-type: none"> ➤ The stock exchange shall issue the Public Notice on default of the TM immediately on their website. ➤ The exchange shall also intimate the investors about the default of the TM through SMS or e-mail on their registered mobile no. or e-mail ID ➤ The default notice shall also be published in the newspapers i.e. in all the editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation, in regional language, based on the maximum concentration of the clients of defaulter TM from a particular region or state. | <p>On the day of declaration of default of the TM</p> <p>Within 1 day from the day of declaration of default of the TM.</p> <p>Within 3 days from the day of declaration of default of the TM.</p> |

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| 7. | Processing, auditing and settlement of claims | <ul style="list-style-type: none"> ➤ The claim forms from clients received either online or offline are to be scrutinized to ensure that the claims are supported by relevant documents such as proof of payment, demat account statement, ledger account statement, etc. ➤ In case of any additional documents are required from the client, the same is to be intimated to the client immediately. ➤ The claims which are complete in all respect are to be processed by verifying the details with the Exchange's records viz. trades executed, unique client codes, ledger supported by bank and demat statements, etc. and arrive at admissibility or otherwise of the claims. ➤ After processing of the claims by the exchange, the claims would be routed to the auditors to assess the veracity and genuineness of the claims including admissibility of the claim. ➤ After processing, auditing of the claims and declaration of the TM as defaulter, the claims shall be placed before Member Committee (MC) for approval | <p>1. All claims received within the timeline mentioned at point-4, if approved by the IPFT, shall be settled within T+135 days.</p> <p>2. All claims received after the timeline mentioned at point-4 above but before the declaration of the TM as defaulter, if approved by the IPFT, shall be settled within 60 days from the date of such declaration.</p> <p>3. All claims received on or</p> |

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| | | <ul style="list-style-type: none"> ➤ In case the assets of the defaulter / or expelled TM are insufficient to meet the admitted amount, the Member Committee would recommend payment of investor claims to the Trustees of the Investor Protection Fund Trust (IPFT) for payment out of the Investor Protection Fund (IPF). ➤ The IPFT to approve the payment of the eligible claim amount to the client from the IPF. ➤ The exchange will communicate the decision on claims to the clients post approval by the IPFT. | <p>after the date of declaration of the TM as defaulter, if approved by the IPFT, shall be settled within 60 days from the date of receipt of such claims.</p> |
| 8. | Request for review of the claim from the client (First Review) | <ul style="list-style-type: none"> ➤ In case the client is not satisfied with the processing of his claim, the client can file a review with the Member Committee (MC) (first review). ➤ The Member committee (MC) will review the claim and inform the same to the client. | <p>Within 90 days of receipt of intimation of the decision of the IPFT from the stock exchange</p> <p>Within 60 days of receipt of review application.</p> |

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| 9. | Request for review of the claim from the client (Second Review) | In case the client is still not satisfied with the first review by the Member committee (MC), the client can file the second review application with the committee of Public Interest Directors (PIDs). The Committee of PIDs, wherever possible, shall consist of PIDs not forming part of the MC. | Within 90 days of receipt of intimation of decision of the first review by MC. |
| | | The committee of PIDs would review the claim and inform the same to the client. | Within 60 days of receipt of the review |

