CIRCULAR

F. No. IFSCA-LPRA/3/2024-Legal and Regulatory Affairs **December 02, 2024**

To,

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

Madam/Sir,

Sub: Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC

One of the core objectives of a financial sector regulator is to protect the interests of the financial consumers. It is therefore necessary that the financial service providers in the IFSC have an efficient and effective mechanism for handling of complaints and redress of grievances of their consumers. Accordingly, it has been decided that all regulated entities in the IFSC shall follow the requirements contained herein:

1. Applicability

a) This circular shall apply to all entities regulated by IFSCA dealing with any Consumer other than their Group Entities.

b) This circular shall not apply to a Foreign University, a Foreign Educational Institution, an Ancillary Service Provider, a BATF Service Provider, a Finance Company / Finance Unit engaged in aircraft leasing or ship leasing and global/regional corporate treasury centre in the IFSC.

c) In order to provide sufficient time for the Regulated Entities to align their complaint handling procedures with this circular, it has been decided that this circular shall come into force with effect from January 15, 2025.

2. 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 clause (h) of sub-regulation (1) of regulation 3 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” shall have the same meaning as assigned to “Client” or “Customer” under clause 1.3.11 of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022;

f) “Finance Company” shall have the same meaning as assigned to it under clause (e) of sub-regulation (1) of regulation 2 of the IFSCA (Finance Company) Regulations, 2021;

g) “Finance Unit” shall have the same meaning as assigned to it under clause (f) of sub-regulation (1) of regulation 2 of the IFSCA (Finance Company) Regulations, 2021;

h) “Foreign Educational Institution” shall have the same meaning as assigned to it under clause (iii) of sub-regulation (1) of regulation 3 of the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022;

i) “Foreign University” shall have the same meaning as assigned to it under clause (iv) of sub-regulation (1) of regulation 3 of the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022;

j) "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;

k) “Non-retail” consumer means a person that is considered as a “non-retail” under the regulatory framework specified by the Authority:

Explanation I: Where the differentiation between “retail” vs. “non-retail” has not been specified in the regulations issued by the Authority for any specific business activity, the non-individual consumers shall be considered as “non-retail” consumers for the purpose of this circular:

Explanation II: All the investors participating in a scheme launched by a registered FME (Non-retail) or Authorised FME shall qualify as "non-retail" consumers;

l) "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;

m) "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;

n) "Retail Consumer" for the purpose of this circular shall mean a consumer of a Regulated Entity other than Professional Consumer and non-retail consumer.

3. Policy for Complaint Handling and Grievance Redressal

(A) General Provisions

a) A Regulated Entity shall have a policy on handling of complaints and grievance redressal, duly approved by its governing body or its Board of Directors, as applicable. The policy shall have adequate mechanisms for receiving, handling and redress of complaints in a fair, transparent and timely manner.

b) The policies and procedures of the regulated entity for complaint handling and grievance redressal shall consider the nature, scale and complexity of its business along with its size and organizational structure.

c) 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.

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 "Complaint Handling 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) Additional Requirements for Regulated Entities dealing with Retail Consumers

I. Complaint Handling Procedure

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 3 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, professional and impartial manner.

c) The Regulated Entity shall ensure that the CRO has sufficient authority to resolve the complaint or has access to other officials with the necessary authority to be able to handle the complaint in a fair and impartial manner:

   Provided that, where the CRO is or was involved in the conduct of the financial transaction which is the subject matter of the complaint, the complaint shall 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 while processing the complaint.

e) The Regulated Entity shall dispose of complaint preferably within 15 days but ordinarily not later 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.

II. Appeal Mechanism

a) If a complainant is not satisfied with the resolution provided by the Regulated Entity or if the complaint has been rejected by the Regulated Entity, the complainant may file an appeal before the CRAO of the Regulated Entity preferably within 21 days from the receipt of the decision from the CRO.

b) The CRAO of a Regulated Entity shall be at the level of or one level below a Key Managerial Personnel:

Provided that where the Regulated Entity is in the form of branch, the Regulated Entity may choose to designate the CRAO from its parent entity, if the same is permitted under the relevant and applicable regulations / framework under which the Regulated Entity is registered or authorized or licensed by the Authority:

Explanation: 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.

4. *Complaint before the Authority*

Where a complainant is not satisfied with the decision of the Regulated Entity and has exhausted the appellate mechanism of the Regulated Entity, he may file a complaint before the Authority through email to grievance-redressal@ifsca.gov.in preferably within 21 days from the receipt of the decision from the Regulated Entity:

Provided that where the complaint is against a trading member or a clearing member or a depository participant or a bullion trading member or a bullion clearing member, the complainant shall first approach the relevant market infrastructure institution for redress of the complaint within the said timeline. In respect of such cases,

a) The market infrastructure institutions shall have appropriate mechanisms in place for grievance redressal and the same shall be disclosed on their respective websites.

b) Where a complainant is still not satisfied with the decision of the market infrastructure institution, the complainant may file a complaint before the Authority through email to grievance-redressal@ifsca.gov.in preferably within 21 days from the receipt of the decision.

5. *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; and

vii. Data of all complaints handled by it.

b) The Regulated Entity shall maintain records in electronic retrieval form for the same period as mandated by the Authority under the relevant and 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.

6. 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 the entity is required to file an annual report for its business activities in the IFSC under the applicable laws. The section shall also provide data of all complaints received, resolved, rejected and pending during the year in a tabular/ graphical format:

Provided that where a Regulated Entity is not required to file an annual report for its business activities in the IFSC, it shall display the information on complaint handling on its website or on a dedicated webpage of its Group Entity, as applicable, under the heading "Complaint Handling and Grievance Redressal", on an annual basis.

7. Online system for complaint handling

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

8. Role of Compliance Officer

The compliance officer of a Regulated Entity shall ensure that handling and disposal of complaints by the Regulated Entity are 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.

9. Action

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

10. Miscellaneous

a) The compliance requirements under this circular are in addition to the requirements on grievance redressal contained in any other regulations specified by the Authority. Where any provision of this circular is in contradiction with any provision of the applicable Act, Rule or Regulation, the provisions of the said Act, Rule or Regulation shall prevail.

b) 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.

11. 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.

12. A copy of this circular is available on the website of International Financial Services Centres Authority at 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
7) References in the nature of seeking information or clarifications about financial products or services