



ASSOCIATION OF MUTUAL FUNDS IN INDIA

AMFI Committee on Operations and Compliance (Sub-committee on COMPLAINT / GRIEVANCE Redressal)

Proposal for standardization of COMPLAINT / GRIEVANCE Redressal Mechanism

1. Background:

- 1.1. SEBI, vide circular no. CIR/IMD/DF/2/2010 dated 13th May 2010 had directed all AMCs to upload data related to investor complaints received during the financial year 2009-2010 on the respective Mutual Fund's website and the website of AMFI.
- 1.2. Accordingly, all the Fund houses disclosed the complaints received during the year as per the format advised by SEBI.
- 1.3. While analyzing the no. of complaints disclosed by various fund houses, it was observed that there was a vast difference in number of complaints disclosed for the AMCs of comparable size. Further, Complaints is not defined by SEBI. Hence, there was a need for uniformity in the reporting and classification of Complaints.
- 1.4. The sub-committee deliberated on the usage of the word grievance and complaint and arrived at the conclusion that complaint is of more serious than a mere grievance. As the aforesaid circular primarily focuses on complaint redressal mechanism, the reporting is also suggested to be based on the complaints of the investors rather than the grievance of the investor
- 1.5. The various interactions of the investors may be classified as query, request, grievance and complaint and for the purpose of the

transparency in complaint redressal, the details of the no. of complaints may be reported in the MF's website, annual report and AMFI site.

- 1.6. The objective of the committee is to achieve uniformity in Complaints disclosed for the year 2010-2011.
- 1.7. The committee deliberated on the various aspects related to the classification of complaints and recommend the following:

2. Definition of complaint:

As complaint has not been defined by SEBI, the definition of complaint from COPRA has been referred. The relevant extract suitable for service providers such as AMCs reads as under:

2.1 Consumer Protection Act (COPRA), 1986 has defined 'complaint' means any allegation in writing made by a complainant that -

- an unfair trade practice or a restrictive trade practice has been adopted by any trader or service provider ;
- the services hired or availed off or agreed to be hired or availed off by him suffer from deficiency in any respect..... and deficiency means any fault, imperfection, shortcomings or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force of has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

3. **Classification of complaints:** The following communication will be treated as complaints for the purpose of reporting, even though for all the queries, interactions, grievances etc. the appropriate remedial actions will be taken by the AMCs:

3.1 When the service was not completed as per the standards prescribed in the SID/SAI. The words such as "shall endeavor" will also be treated as standard prescribed.

3.2 In the absence of service standard prescribed in SID/SAI, a communication shall be treated as a complaint only when the service was not completed as per the standards prescribed in the SEBI. Example, non-receipt of dividend to be treated as complaint if the dividend is not dispatched within 30 days from the date of declaration, non-receipt of SoA for the transactions

other than SIP, if the SoA is not dispatched within 5 business days from the transaction date, for the SIP transactions if the SoA is not dispatched within 10 working days of the end of each quarter, etc.

3.2 Wherever the service standards are not prescribed by SEBI, the Sub-Committee recommends as below:

- 3.2.1 Issue of duplicate dividend warrant – 10 Business Days
- 3.2.2 Issue of duplicate redemption cheque – 10 Business Days
- 3.2.3 Claim settlement
 - With Joint Holding or Nomination - 10 Business Days
 - Without Joint Holding or Nomination - 15 Business Days
- 3.2.4 Registration of nomination – 5 Business Days
- 3.2.5 Updation of change of address – 10 Business Days
- 3.2.6 Updation of change of default bank details -10 Business Days
- 3.2.7 Registration of multiple bank details – 10 Business Days
- 3.2.8 Updation of minor to major status – 5 Business Days
- 3.2.9 Updation of tax status -5 Business Days
- 3.2.10 Any other item not covered above and also not covered in SID/SAI/SEBI regulations - 10 business days

If the respective SID/SAI has a lower standard than the above, the same may be applied.

3.3 At the time of receipt of the communication, the same may be treated as a “Query” or “GRIEVANCE” and on verification, if the service was found to have not been delivered as per the standard prescribed above time, the same needs to be converted as a “complaint”.

3.4 The quality of service will also to be considered for treating the communication as complaint. The communication on account of errors committed by RTA is to be treated as complaint. Example, communication related to wrong rate applied, wrong exit load charged etc. are to be considered as complaint even if the redemption cheque is dispatched within 10 working days.

3.5 Communication related to fund performance will not be treated as complaint.

- 3.6 Communication regarding deviation from SID/SAI, asset allocation etc. are to be treated as complaint under the source of AMC.
- 3.7 In the complaint category "mis-selling" may be added as an additional category. However, the "mis-selling" allegation may be considered as complaint only when the mis-selling is proved.
- 3.8 All the complaint received by way of letters and Email will bear the date stamp as minimum standard. Time stamping is optional.
- 3.9 The data on complaint to be displayed on AMFI website needs to be same as that of the figures furnished in the CTR.

4. Sources:

- 4.1. Complaint from all sources such as written, E-mail, Call Centre etc. need to be considered subject to the turn around time specified in the SID/SAI/Regulations/time lines specified at 3.2 above.
- 4.2. The investor complaint arising out of activities out sourced to RTA will be covered under the source of RTA and complaint arising out of activities managed by AMC such as complaint against AMC staff at the counter, proved mis-selling etc. will be under the source of AMC.
- 4.3. In case of communication related to mis-behaviour of staff of RTA or AMC, mis-selling etc., the same shall be considered as complaint subject to the following conditions:
 - a. The communication is in writing and signed by the unit holder
 - b. The allegation is finally proved.
- 4.4 Any GRIEVANCE arising out of factors that are beyond the control of AMC/ RTA/its service providers will not be considered as complaint so long as there is no fault/deficiency on the part of AMC/RTA/Its service providers such as Billdesk, Tech Process or AMC's CMS banker etc.

Examples:

NEFT /ECS file sent to the investor's with correct details but the amount is credited to wrong account or not credited and kept in suspense by the investor's bank will not be classified as Complaint.

Similarly, in case of SIP debits the error on account of investor's bank such as excess debit/no debit etc., will not be considered as complaint so long as there is no fault/deficiency on the part of AMC/RTA/Its service providers.

- 4.5 It is recommended that total complaints received at AMC are to be added to the complaints received by RTA, and total complaints need to be disclosed.
- 4.6 The activity of classification of complaints to be disclosed is to be completed within 10 business days from the date of receipt of communication.
- 4.7 As all the complaints will ultimately be under the source of AMC, at any point of time the number of complaints received under the source of AMC will be either same or on higher side compared to RTA source.

5 Procedure by RTA:

5.1 RTA will devise a mechanism to segregate service request, queries, grievances and complaint at the time of entering in their system.

5.2 RTA will capture the date of receipt of complaint from the stamp of receipt.

6 No. of Folios displayed:

1.1 The No. of folios displayed in the above disclosure will be only live folios. Nil folios having zero balance of units will not be considered in the total no. of Folios.

1.2 The total no. of folios disclosed in the complaint report will be the same as reported in
MCR to the SEBI.

7 Implementation Road-map:

7.1 To discuss the above with RTAs for preparedness at their end in view of software modifications.

8 **FAQs** – The sample FAQs are enclosed in the annexure.
