



# KSE FAQ's

## LODGING COMPLAINTS AGAINST STOCK EXCHANGE MEMBERS A GUIDE FOR INVESTORS

*The receipt of complaints enables KSE to identify trading violations, which could impact investor confidence or affect fairness in the stock market. Using complaint information KSE can identify the weak areas in relevant regulations or in their compliance and make necessary arrangements for fixing the same*

### 1. How does the client know if they have a case against a Stock Exchange Member?

Losing money through dealing in securities is not in itself reason enough for a client to have a case against a Member. However, it is the responsibility of the Member to invest money according to the client's instructions. There are certain malpractices against which a client can lodge a complaint such as:

- Unauthorized trading (Sale/Purchase)
- Unauthorized transfer/movement of shares
- Non-supply of statements of account
- Non-supply of trade confirmations within 24 hours
- Overcharged Commission
- Failure to execute investors' instructions/orders
- Suspension of payment
- Non-Delivery of Securities

### 2. What are the different streams through which a problem with a Stock Exchange Member can be settled?

There are three possible recourses for the client in regards to filing a complaint but prior to this it is strongly suggested that the complaint be taken up directly with the Member. This will not only save time but may help to preserve the trust and confidence between member and client.

**KSE Arbitration Committee:** The client has the option of bringing their complaint to the management of the KSE. As a front line regulator KSE is empowered to take cognizance of complaints against the Members under the approved Rules and Regulations. After the careful review of all documents provided by the parties an Arbitration Award may be passed in accordance to the Rules and Regulations.

**SECP:** The client can also lodge his/her complaint with the Vigilance Cell which has been setup at SECP to ensure that grievances/complaints of the general public are heard and redressed, in a quick and efficient manner. All the complaints received by the Vigilance Cell against Stock Exchange Members are forwarded to the Investor Complaint Wing ("ICW") of the Securities Market Division ("SMD") for further processing. However, SECP is not empowered to force the Member for compensation/damages.

**Civil Court:** The client can also file their complaint with the Civil Courts.

### **3. What is Arbitration? Who are the persons who can act as Arbitrators?**

Arbitration is an alternative dispute resolution mechanism provided by KSE for those persons who do not wish to go to Court. Through this method disputes between the trading Members and between trading Members & their constituents (i.e. clients of trading members), may be addressed & resolved in respect of trades done on the Exchange. This process of resolving a dispute is comparatively faster than litigation.

The arbitrators are Members and management of the Exchange and Non-member directors of the Exchange. For further details please refer to Regulation 29 of the General Rules & Regulations of the KSE (Guarantee) Limited.

### **4. Who can avail the facility of Arbitration on the Exchange?**

The facility of arbitration on the Exchange can be availed by:

- a. Investors who have dealt on the Exchange through their Members dealing in Securities.
- b. Investors who have dealt on the Exchange through registered agents of the Member dealing in securities.
- c. Trading Members who have a claim, dispute or difference with another trading Member or a constituent.

### **5. What is the period for filing an application for Arbitration in the event of a claim, difference or dispute?**

An application for arbitration has to be filed within 3 months from the date of the dispute. For further details please refer to Regulation 34 of the General Rules and Regulations of KSE (Guarantee) Limited.

### **6. What is the Process for filing an application for Arbitration with KSE?**

The procedure for arbitration is as follows:

- A. The client can file an application for Arbitration with the KSE.
- B. Copies of the following documents may be submitted along with the application to support the claim:
  - a. Copy of NIC (in case of companies NIC of the authorized representative)
  - b. Account opening form of the complainant
  - c. CDC sub-account opening form/Individual investor account
  - d. Relevant Share Deposit receipts.
  - e. Relevant Trade confirmations slips/sale-purchase bills
  - f. Relevant cash receipts and payments made
  - g. Relevant CDC reports and statements
  - h. Any other document signed by the complainant or Member during the course of business.
  - i. An undertaking to abide by the rules and regulations of the Exchange.
- C. The Exchange then appoints the arbitrator(s). The claims up to 0.5 million are referred for arbitration to the Managing Director of the Exchange who will either himself enter upon the reference or appoint a nominee for this purpose and the claims/disputes above 0.5 million are referred to the Advisory & Arbitration Committee for their resolution/decision.
- D. The Arbitrator conveys the date of hearing to the parties and grants hearing in this respect to provide the parties an opportunity of presenting their case. After hearing both sides the Arbitrator passes an Award accordingly.
- E. According to KSE General Rules and Regulations any party to a dispute dissatisfied with any award of the Managing Director/his appointed nominee may file an appeal to the Advisory and Arbitration Committee against such award within seven days of receipt of such award and any party to dispute dissatisfied with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

### **7. How is an Award made by the Sole Arbitrator/Panel of Arbitrators?**

If both parties to the dispute are present at the appointed time and place the arbitrator may hear the reference and announce the award. If the party against whom the complaint is made is not present the arbitrators may hear and decide the dispute ex-parte. All claims referred to the panels of arbitrators are resolved by a majority.