

Defaulters Section – FAQ**1. What is the difference between a complaint and a claim?**

A complaint is against an active trading member/company. Trading Member means an active member i.e a member whose membership is existing and valid with the Exchange. Company is an active company listed on the Exchange. A claim is against a trading member who has been declared a defaulter and /or expelled by the Exchange for non-compliances.

2. How will I know about the declaration of default and/or expulsion of a trading member? When should I lodge a claim against defaulter and/or expelled members?

The Exchange issues a circular in this regard. Further, the Defaulters Section issues a public notice in the newspapers (English/Regional) inviting claims from the investors.

Apart from the public notice, SMS or e-mail messages would be sent to all clients of the defaulter TM to inform them about the TM default and invite claims.

A claim should be lodged after issuance of public notice in newspapers. Additionally, the list of default and/or expelled members along with public notice issued is available on our website on the links mentioned below:

<https://www.nseindia.com/complaints/defaulters-expelled-members>

<https://www.nseindia.com/complaints/complaints-public-notice>

“If you have not received your securities / funds within the stipulated time period from the member, you should look out for the status of the member and take suitable action like filing a complaint/claim (as applicable)”.

3. Till what time period would claims be accepted by the Exchange?

For trading members declared as defaulter/expelled after June 30, 2023, claims will be accepted by the Exchange for a period of 1 year from the date of declaration of default/expulsion of the concerned member.

4. What if the claim is filed beyond the specific period?

If any eligible claim arises within three years from the date of expiry of the specified period, such claims:

a) shall be considered eligible for compensation from IPF in case where the defaulter TM's funds are inadequate. In such cases, IPF Trust shall satisfy itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.

b) shall not be considered eligible for compensation from IPF in case where the surplus funds of the defaulter TM is returned to the defaulter TM. The same shall be borne by the stock exchange after scrutinizing and satisfying itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.

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Any claim received after three years from the date of expiry of the specified period may be dealt with as a civil dispute.

5. How should I lodge a claim?

The claim can be lodged online on the Exchange portal viz. *NICEPlus* and the relevant documents required for the purpose of lodging the claim can be uploaded in the portal <https://investorhelpline.nseindia.com/NICEPLUS/welcomeUser>.

Alternatively, the claim form can be obtained from the nearest investor service center of the Exchange or can be downloaded from our website <https://www.nseindia.com/complaints/details-to-be-provided-for-lodging-claims>

The duly filled claim form is then required to be submitted with the Exchange.

6. What is the procedure for the first time user on the portal? How to start entering claims on the portal?

The first step is to register your profile. The mandatory fields have been clearly marked with Asterisk(i.e. “*”). Once the basic details are filled and submitted, an email will be generated and sent to you on your registered email address providing the user name and password. The same is to be used to lodge a claim.

7. What are the mandatory details required to be submitted while filing claim with the Exchange?

There are no mandatory documents required for submission of claim, however certain details are mandatory at the time of online claim submission. The claimant is required to enclose below documents and submit certain mandatory details as mentioned below:

- PAN card number
- KYC details
- Bank account statement evidencing payment made to the trading member and received from the trading member OR Ledger account statement for the previous financial year and current financial year
- Cancelled cheque pertaining to the bank account mentioned in point number 4 of the claim form. If the bank has merged with any other bank please provide cheque of the anchor bank (new merged bank).
- Details / communication from / by other stock exchanges approving / rejecting claim, if any (Documents to be submitted irrespective of whether the claim is approved or rejected)

The investor may provide any other documents in support of its claim. Further, the Exchange may seek additional details/documents from the investor to process its claim.

8. How to fill up the claim form? What should be filled in the annexures /details in the claim form?

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Exchange has hosted a sample claim form on its website <https://www.nseindia.com/complaints/details-to-be-provided-for-lodging-claims>

Investors can refer the same to seek guidance on filling the claim form, source for obtaining the mandatory documents etc.

Alternatively, the investor can call on the toll free number 1800 266 0050 for further assistance.

9. I do not have the ledger account transaction statement provided by the defaulter and/or expelled member. What should I do?

You can construct a manual ledger for the required period in the format provided below and submit the same along with the claim form:

Sr. No	Particulars	Amount (Rs.)
A	Opening balance as on	
B	Total purchase	
C	Total sale	
D	Amount receivable from / payable to the trading member [(A + C) - (B)]	
E	Amount paid to the trading member	
F	Amount received from the trading member	
G	Net amount [(D+E)-(F)]	
H	Any other debit (for e.g. depository charges, late pay in cost, etc.)	
I	Any other credit (for e.g. dividend, etc.)	
J	Net amount receivable from / payable to the trading member [(G-H)+(I)]	

10. I have closed my bank account through which the payments were made/ received to/ from trading member. My bank has been merged with another bank. How should I obtain the bank account statement?

Please contact the bank/branch for obtaining the bank statement of the closed account. If the bank has been merged, please obtain the statement from the anchor bank (the new bank).

11. From where can I obtain the data related to purchase/sale of securities executed through the trading member?

Trade data, if required can be obtained by sending a request to any nearest regional investor service center by providing your name, Client code, PAN, period for which such data is required, name of the trading member (defaulter/expelled)

The list of branch offices are as below. Apart from the branch offices you may also approach Pan India Investor Service Centres under the link <https://www.nseindia.com/contact/investor-services-centre>.

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Branch Office	Email id
Ahmedabad (ARO)	nseiscahm@nse.co.in
Chennai (CRO)	nseiscchen@nse.co.in
Delhi (DRO)	nseiscdel@nse.co.in
Kolkata (KRO)	nseisckol@nse.co.in
Mumbai (WRO)	nseiscmum@nse.co.in

12. Can I lodge a claim for trades which have been executed on other Stock Exchanges and not on NSE?

No. Claim must be filed only for those trades which have been executed on the NSE's platform. If trades have been executed on other Stock Exchanges then a claim should be lodged with the respective Stock Exchange only.

13. What if I get a duplicate PAN message?

It means that your profile is already created on the portal (You have already entered the basic details). Please use your existing credentials to lodge the claim. In case you have forgotten username/password then please use the option forgot username/password, enter the mandatory fields. Email will be sent to your registered email id intimating your user id and password.

Investor can call on the toll free number 1800 266 0050 if they require any assistance.

14. What are the points to be kept in mind while uploading the documents on the portal?

- It is advisable to keep the overall file size below 10 MB as the file upload depends on the speed of your internet which might create problems if the overall file size of the upload documents exceed 10 MB.
- The file should not contain any formulas (example you are constructing manual ledger in excel and you use formulas).
- The NICEPlus application needs to be opened in Google Chrome for better experience.
- If you have more than one document to upload on NICEPlus, kindly merge and upload consolidated file on portal. For e.g. if you have year wise bank statement for the period 2007, 2008 and 2009, please combine all statements into a single file and upload a consolidated file on the portal. (Try to keep scan of data in one file with size below 10 MB).

15. How many reminders does the Exchange give to the claimant to rectify the deficiency documents / details provided?

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The Exchange gives three reminders to the concerned claimant to rectify the deficiency documents / details provided on the registered email id. If the deficiencies are not rectified, the claim will be processed on the basis of details provided by the claimant.

16. What is the process followed by the Exchange post submission of claim form, details and documents? How are the claims processed?

The claim is processed as follows:

- The Exchange scrutinizes the claim form and intimates the deficiency in the claim form/documents, if any, to the concerned claimant by email on the email address provided by the claimant at the time of filing the claim.
- Once the claimant corrects the deficiency, the claim is evaluated in accordance with Circulars, Regulations and Guidelines issued by the Securities and Exchange Board of India (SEBI) and the Byelaws, Rules, Policies and procedure framed by the Exchange. In the event the claimant fails to correct the deficiency, the claim will be evaluated based on the available documents/details provided by the claimant.
- The evaluated claims are then placed before the Member Core and Settlement Guarantee Fund Committee for its consideration and thereafter before the Investor Protection Fund Committee.
- Subsequently, the outcome of the claim is communicated to the claimant and payment of the admissible amount, if any, is made to the claimant.

Kindly note that the claims are processed based on the documents provided by the claimant; therefore, it is imperative that the claimant provides correct and complete set of documents and information.

17. How can I know the status of my claim?

Investor can give a call on the toll-free number 1800 266 0050 to know about the claim status.

Alternatively, the investor can login to the portal to know the status of the claim.

18. Am I being paid out of the trading member's deposits /assets?

One of the reasons for a trading member to be declared a defaulter is when the total amount of claims outstanding to be paid to the investors exceeds the assets available with the member. In such cases the admissible amount is paid out of Investor Protection Fund Trust.

19. I am holding an IGRP order/arbitration award. However, the same was not paid on account of inadequate deposits/assets of the trading member. What should I do?

Please lodge your claim as provided in question 4.

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Please note that the claimant holding IGRP order/arbitration award would be treated at par with other claimants and all such claims would be processed as per the norms laid down by the Committee from time to time and in accordance with Rules, Bye laws, Regulations, guidelines etc. of the Exchange, SEBI circulars and Regulations. The claim will be treated as a fresh claim and he/she should provide scan copy of all the relevant documents for processing of the claim.

20. How would I be notified about my admissible amount?

An email will be sent to the registered email id intimating the outcome of the claim. Alternatively, the claimant can log into the NicePlus portal to know the status of the claim. <https://investorhelpline.nseindia.com/NICEPLUS/welcomeUser>

21. Who can lodge a claim in respect of the deceased person?

Legal heirs can lodge a claim on behalf of the deceased person. The claims can be lodged only for the transactions executed by the deceased person up to the date of death.

The legal heir is required to submit the following documents along with the claim form in addition to those mentioned in point 6:

- i. Death Certificate of the deceased person
- ii. Succession Certificate or Legal Heir Certificate or Surviving Member Certificate
- iii. Notarized No Objection Certificate from other legal heirs, if any

The relevant Committee shall evaluate the claims with respect to its admissibility/inadmissibility after scrutinizing the documents submitted by the legal heirs to determine their legal right.

The claimant may note that in case the documents mentioned in point (ii) and (iii) are not available at the time of filing of the claim, the same can be provided at a later date. However, the payment of admissible amount, if any, will not be made unless the documents mentioned in point (ii) and (iii) have been provided.

22. Which claims against the defaulter/expelled member shall not be admissible out of IPF?

The following claims inter alia shall not be made admissible out of IPF:

- a) which is not filed with the Defaulters' Committee (MCSGFC) within such time of the date of declaration of default/expulsion as may be prescribed by the relevant authority;
- b) which arises out of a contract in securities dealings which are not permitted, or which are not made subject to Bye-Laws, Rules and Regulations of the Exchange;
- c) which arises from any arrangement for settlement of claims in lieu of bona fide

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money payment in full on the day when such claims become due;

- d) which is in respect of a transaction in the nature of loan with or without security;
- e) Claims of associate persons;
- f) Claims not supported by adequate documents in respect of payments made to / received from trading member and also securities delivered / received, etc.;
- g) Claims for trades that are not executed on the Exchange;
- h) Claims of investors whose unique client codes are not registered with Exchange;
- i) Claim for damages / harassment / miscellaneous charges;
- j) Claim for the interest on the amount claimed;
- k) Loss emanating from delayed delivery of securities;
- l) Subscription / redemption of units under MFSS (Mutual Fund Service System) platform, trades executed on SLB (Securities Lending and Borrowing).
- m) Sham, non-genuine and collusive transactions.
- n) Claims lodged by Authorized Persons for return of security deposit/ refund of brokerage/commission;
- o) Claims lodged by persons associated with the defaulting Trading member against whom disciplinary action has been taken by the regulator/relevant authority vide their orders;
- p) Any other criteria/ condition, which in the opinion of the MCSGFC renders the claim as inadmissible, based on the facts of the case

23. What are speculative transactions?

Speculative Transaction includes the following:

- i. Transactions that are squared up on the same day (intraday). Thus, both leg of transaction (i.e. buy as well as sell) is executed on the same day and there is no obligation to settle the transaction by the actual delivery/transfer.
- ii. Transactions that are speculative in nature and may include transactions in which contracts are periodically or ultimately settled in any manner other than through actual deliveries. These contracts are for purchase or sale of any commodity, including stocks and shares.

Claims for 'Speculative Transactions' are not admissible.

24. What are loan transactions?

The following indicators are considered as factors for ascertaining the nature of a loan transaction or the conduct which may give rise to a presumption that the transaction contemplated was a loan transaction

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- i. Where the claimant has given funds to the defaulter with the apparent intention to trade but, however, the claimant has not furnished any evidence with respect to the execution of trades for a substantial period of time after entering into an agreement with the defaulter and from the available records it is evident that the defaulter had passed on credits which may be construed to be payments in the nature of interest;
- ii. Where the claimant has given securities to the defaulter with the apparent intention to trade but, however, the claimant has not furnished any evidence with respect to the execution of trades for a substantial period of time after entering into an agreement with the defaulter and from the available records it is evident that the defaulter had passed on credits which may be construed to be payments in the nature of interest;
- iii. Where the claimant has made payment to the defaulter despite having substantial credit balance with the apparent intention to trade but, however, the claimant has not furnished any evidence with respect to the execution of trades for a substantial period of time after such payment;
- iv. Where the claimant has delivered securities to the defaulter despite having substantial credit balance with the apparent intention to trade but, however, the claimant has not furnished any evidence with respect to the execution of trades for a substantial period of time after such payment
- v. Where the claimant has made payment and /or delivered securities to the defaulter with the express understanding that the defaulter would in turn give fixed return on funds and / or securities so given as the case may be as evidenced in the correspondence by the claimant or defaulter to the Defaulters' Committee or in the correspondence between the claimant and the defaulter and vice versa;
- vi. Where the defaulter has given credits to the claimant against the funds and / or securities provided by the claimant to the defaulter as evidenced from the available records that the defaulter had passed on these credits which may be construed to be payments in the nature of interest as the same are in excess of the value of the trades executed on the Exchange.
- vii. Where the claimant has deposited substantial amounts of funds and / or securities with the defaulter with the apparent intention to trade but, however, the claimant has not furnished any evidence with respect to the execution of trades for the amounts which are proportionate to the value of the amounts of funds and / or securities deposited;
- viii. Where the claimant has failed to withdraw the credit balance and / or securities from the defaulter for a substantial period of time without any trading activity or substantially meagre trading disproportionate in value to the quantum of the trade balance or securities lying with the defaulter;

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- ix. Where the claimant has given funds and /or securities to the defaulter with the apparent intention to trade and the trades have been executed in the Futures & Options segment of the Exchange but for which trades corresponding evidence of utilisation of the funds deposited is not apparent from the records furnished by the claimant.

25. How are the cases where the investors POA (Power of Attorney) is misused by the broker for unauthorized transfer of investors securities from clients account settled?

Claims where there is unauthorized transfer of securities by misuse of POA by the Broker, the same can be settled under IPF provided below three conditions are fulfilled:

- i. Investor had filed a complaint with the Exchange before disablement/default of the broker
- ii. There should be no collusion between the investor and the broker and
- iii. The securities were brought on the Exchange platform earlier

26. I am a franchisee/ authorized person of the trading member. Am I eligible for compensation from Investor Protection Fund Trust (IPFT).

No, only registered constituents/investors of the trading member are eligible for compensation from Investor Protection Fund Trust (IPFT). However, if in addition to being a franchisee/authorized person, you are registered as a constituent/client of the trading member then you may lodge a claim in respect of funds/securities which the trading member owes to you as a client.

27. I am an associate/related party of the trading member? Am I eligible for compensation from Investor Protection Fund Trust (IPFT).

No associate/related parties of the trading member are eligible for compensation out of Investor Protection Fund Trust (IPFT).

28. Will the Exchange release/credit/transfer the securities to my demat account in respect of claims lodged against defaulter/expelled members.

Claims by investors for non- receipt of securities will be evaluated as a financial claim and will be settled in monetary terms i.e. securities will not be credited/ transferred and only money will be paid.

29. Can I initiate Arbitration Proceedings against a defaulter and/or expelled trading member through the Exchange?

Once a trading member is declared as a defaulter and/or expelled, the only remedy that can be availed from the Exchange, is filing a claim for compensation out of IPF. However, if you still wish to initiate Arbitration proceedings against the defaulter and/or expelled trading member, the same may be initiated outside the Exchange.