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1. Acknowledgement

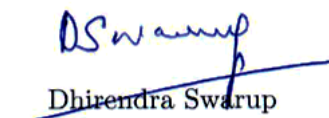
The Task Force relied on consultative approach, reaching out to the knowledge and practical experience within agencies currently handling consumer grievances and as well as consumer groups taking up issues on behalf of the consumers. It drew on the best practices in the developed world in understanding solutions being applied by multi sector alternate dispute resolution mechanisms.

The Task Force acknowledges the detailed vision for FRA laid out in the report of the Financial Sector Legislative Reforms Commission (FSLRC) headed by Justice BN Srikrishna. It is grateful for the insights and experience shared by teams at domestic financial regulators, Ombudsman Schemes, Stock Exchanges, National Consumer Disputes Redressal Commission (NCDRC). It benefited immensely from the experience of permanent invitees to the Task Force – Rajinder Kumar, Reserve Bank of India (RBI); Gyan Bhushan, Securities and Exchange Board of India (SEBI); DD Singh, Insurance Regulatory and Development Authority of India (IRDAI); Venkateswarlu Peri, Pension Fund Regulatory and Development Authority (PFRDA); Dr. CKG Nair¹ and Dr. Shashank Saksena, both from Ministry of Finance (MoF).

The Task Force studied reforms experience and insights of international redress agencies in the financial sector in Australia, UK, USA, South Africa and others. A list of agencies consulted is provided in *Annexure: I*. The Task Force had invited feedback from consumer groups and benefited from their perspective. Details of these consultations are provided in *Annexure: J.1*.

The task of putting together an implementation plan for the FRA would not have been possible without the efforts of the members of the Task Force. They were ably supported by the research work of the policy team at National Institute of Public Finance and Policy (NIPFP) comprising Ashish Aggarwal, Smriti Parsheera, Smriti Sharma, Rahul Dhingra, Payal Dey and Sanhita Sapatnekar. I appreciate and acknowledge their contribution to this report.

New Delhi
30 June 2016



Dharendra Swarup

¹ Invitee till mid February 2016, before he became member of Securities Appellate Tribunal.

2. Executive Summary

2.1. Current Redress Framework

Today, retail finance consumers in India's fragmented financial redress system must approach different channels for redress, based on whether their complaint falls under banking; insurance; pension; securities market or other financial services. Sectoral regulators operate some of these channels, while others are housed in a separate body manned by the regulator's staff. The resulting outcomes are often sub-optimal for consumers, due to the factors listed below.

1. While some redress systems bear functional similarities, the redress they provide varies due to differences in their:
 - Approach;
 - Processes;
 - Capacity;
 - Service levels; and
 - Powers to redress complaints.
2. The average consumer is put under unnecessary stress when required to approach different redress agencies based on the nature of their product. Further, when faced with varying levels of consumer protection across regulators, this stress is amplified.
3. Redress forums are not always adequately empowered or equipped to handle all categories of complaints; in some instances, regulated Financial Service Providers (FSPs) are not covered within the scope of that regulator's redress functions. For example, complaints against Non-banking Finance Companies (NBFCs) are not covered by the Banking Ombudsman.
4. Some redress forums, like the in-house systems at SEBI and PFRDA, are not empowered to award compensation and, as a result, consumers turn

to courts for redress. This leads to further delays in redress, as the courts are congested with a large number of pending complaints.

5. The personnel conducting redress activities are typically assigned to the task for a brief period, leaving little room for developing specialisation in the redress function.
6. A large number of complaints on a particular issue (*for example, mis-selling in Unit Linked Insurance Plans (ULIP)s resulted in consumers losing more than a trillion rupees over the 2005-2012 period*²) reflect regulatory and supervisory gaps, creating a conflict of interest unless feedback from complaints flows to the regulator through an independent mechanism. This conflict of interest is particularly problematic when a regulator is tasked with resolving individual retail complaints.
7. There are no mechanisms for knowledge and experience sharing among the sectoral redress systems. This results in them often working in silos, denying themselves the benefit of learning from each; for example, people solving insurance complaints may have much to gain from people solving banking-related complaints, and vice versa.
8. Combining the roles of regulation and redress can impinge on the independence of the redress function, as those handling the regulatory functions may influence it³

While current redress systems have served an important function, the tremendous growth of India's financial system (in both size and depth) means a holistic approach to financial redress is now required. India must conceive a financial redress system that not only overcomes current shortcomings, but is also future-ready, i.e. a system capable of:

²Halan, Sane, and Thomas, "The case of the missing billions: estimating losses to customers due to mis-sold life insurance policies".

³To illustrate, a consumer may complain against a FSP, say, a merchant banker regarding disclosures in a public issue or against a bank regarding repayment of deposit. Prompt action against the FSP might result in many more aggrieved consumers complaining. This might require the regulator to undertake a serious review, which might show its supervision or regulation in poor light and increase its workload. Further, a regulator might be able to *persuade* FSP to provide relief to consumer even when the FSP did not believe it was at fault, fearing indirect action from the regulator. Such design flaws in the system are undesirable.

- Effectively handling a much wider base of retail customers that are consuming multiple financial products and services; and
- Dealing with a larger suite of products and services (including hybrid products) in a much more competitive and integrated financial market.

The financial sector regulators and Ombudsman together have, over the last three years, received an annual average of 520,000 complaints (excluding queries, refer to *Box: Expect Complaints to Grow at a Higher Rate* on page 130 in *Annexure F*). This number is expected to increase as the financial markets expand and the number of consumers grows (that too at a higher rate than before), making this an opportune time to create a redress agency that builds on past experience and is geared for the future, as part of strengthening of the overall regulatory framework.

2.2. Proposed Solution

The Government of India (GOI), as part of its plan to modernise India's retail financial markets, has decided to develop a robust system for redressing grievances of financial consumers. The groundwork for FRA was laid by the FSLRC, which was constituted by the MoF, GOI in March 2011 to review and redraft the legal framework governing India's financial system. The Commission, chaired by retired Justice Shri B. N. Srikrishna, *worked on these issues for two years* and submitted its report in March 2013. Its recommendations included developing a regulatory framework that fosters customer protection and independence, as well as regulator accountability. FSLRC recommended establishing a unified redress agency to handle all retail consumer complaints against regulated FSPs.

The Finance Minister announced the GOI's decision to establish FRA in his budget speech in 2015:

“A properly functioning capital market also requires proper consumer protection. I, therefore, also propose to create a Task Force to establish a sector-neutral Financial Redressal Agency that will address grievances against all financial service providers.”

In June 2015, as preparatory work for establishing FRA, MoF (GOI) constituted

this Task Force to review international best practices in consumer grievance redress, including Ombudsman and other dispute resolution mechanisms, with a view to support the operationalisation of FRA.

What will FRA do?

FRA will be a redress system for retail consumers, functioning as a specialised forum for complaints against regulated FSPs, with a focus on mediation and a light-touch adjudication process. FRA will incorporate elements of the insurance Ombudsman, banking Ombudsman and redress systems of stock exchanges. However, unlike these, it will be a centralised agency bringing an integrated single window solution for the needs of retail financial consumers. It will:

- Use consumer friendly mediation and adjudication process to provide speedy and inexpensive redress.
- Facilitate uniformity and convenience for retail consumers by providing one single channel for any complaint against any regulated FSP.
- Minimise consumer confusion as to what the appropriate channel for redress is (for example, in relation to an insurance product when it is distributed by a bank).
- Provide greater accessibility through consumer friendly mechanisms, which will cover all regulated FSP and cater to all sections of society, including those who are not literate.
- Provide redress efficiently through the use of technology, and by being accountable and transparent;
- Placing stringent legal obligations on FRA will ensure that it is under healthy pressure to provide efficient as well as effective redress, through requirements on disclosure and performance review (*status updates to complainant, data on time taken at each stage of the redress process, data on appeals against its decisions, analysis of turn around time, satisfaction levels from helpline, nature of feedback provided to regulators etc.*).
- Provide an independent feedback loop to regulators on complaints, includ-

ing information on complaints received against unregulated FSPs⁴, with a view to assisting them in strengthening consumer protection regulation and supervision.

FSLRC, in its report, enumerated the following basic protections that the regulators must implement:

- FSPs must act with professional diligence;
- Protection against unfair terms;
- Protection against unfair conduct;
- Protection of personal information;
- Requirement of fair disclosure; and
- Redress of complaints by FSP

Financial regulators have a key role in ensuring the *preventive aspect* of consumer protection, and they would continue to be responsible for the same even after FRA is established.

FRA, therefore, would not assume the regulator's role of implementing consumer protection, nor would it become the regulator for FSPs.

On the *curative* side, FSLRC envisioned FRA as a technologically modern organisation carrying out video hearings; handling documents digitally; registering complaints on the phone as well as online; maintaining a high quality electronic database; and tracking redress, including compensation payment, online.

2.3. Recommendations

Given below is an overview of the Task Force's recommendations, which are discussed in more detail in the respective sections.

⁴Those offering financial services without obtaining requisite regulatory approvals.

Legislative Framework

A detailed *Indian Financial Code (IFC)* was released as part of FSLRC recommendations as a draft law to implement the Commission's recommendations and feedback was invited on the same. Based on the feedback, the government released a revised draft called *IFC 1.1* in July 2015.

Recommendation #1: GOI may conceive a *financial consumer protection and redress legislation* by adopting the relevant consumer protection provisions from the IFC 1.1. GOI should amend existing legislations, as necessary (including those governing the banking; securities market; insurance; and pension sector), to align them with the FRA's design. This will provide the requisite enabling framework for the proposed FRA, and might be an operationally preferable route if enacting the provisions of IFC 1.1 in full at one go might take more time.

This legislation is needed to (i) empower FRA to provide redress and (ii) strengthen regulatory framework on consumer protection for implementation by the regulators. This new law should mandate financial sector regulators to implement its provisions. The approach has been discussed later in *Section: Legislative Framework*.

Operational Design

Recommendation #2: The FRA should have a scalable operating model that is designed ground up using technology intensive processes. It should offer a customer-friendly and accessible approach, and discourage court-like processes. Teams of technical experts should assist the mediators and adjudicators at FRA.

The FRA needs to adopt a proactive approach to facilitate filing of complaints, provide regular feedback and status updates and resolve the complaint in a timely manner. In order to achieve this, it is recommended that the FRA should:

1. Enable access through physical letters, telephone; missed call service; Internet; mobile apps; sms; and video. It should also enable mediation and

adjudication through telephonic and web-based communication, including video. The requirement for a physical hearing should be minimised. FRA should use *Braille*, audio and other friendly methods to reach out to the physically challenged.

2. Forward complaint(s) registered with it to the concerned FSP and provide it a short period to resolve the same, as a pre-mediation stage. Even if a small percentage of the complaints are resolved through this mechanism, it would help provide speedy redress and reduce the workload of the FRA.
3. Have processes to discourage delays by the FSPs. The quantum of costs to be imposed in such situations should be codified. The FRA should also collect, analyse and release data on delays (*like rescheduling of calls, seeking extension of time*) by the FSPs and consumers during the redress process.
4. Run a scalable, multilingual helpline and provide local facilitation centres for complaint registration, scanning and uploading information. *FRA may outsource these functions to private firms. In case of facilitation centres, it may also collaborate with suitable government/public infrastructure, including common service centres, to scale this up rapidly and manage this in a cost-efficient manner.*
5. Do a prima facie check when it accepts a complaint and classify the complaint into *fast-track process* or *standard-track process*.
6. Run an adequately staffed research team to analyse data and enable a strong feedback loop to the regulators.
7. Manage end-to-end workflow through a web-based Customer Relationship Management (CRM) and Complaint Management System (CMS) system, with digital handling of documents and online tracking of compensation payments. Publish its adjudication decisions and complaint related data analysis in multiple electronic formats as well as *machine-readable* format⁵.
8. Recruit a high calibre mediation and adjudication team with experience

⁵Machine-readable disclosures enable creation of third party web-based tools and mobile apps that help users analyse data using computers. This would enable smart analysis and better understanding of the information. Machine-readable does not mean soft copy of data.

from the industry, financial regulators, consulting, academia and research fields. It should recruit high calibre support teams with relevant subject knowledge and/or legal expertise. It should invest in a structured training program, including refresher training for its staff.

9. Run an effective awareness campaign so that the maximum number of consumers are aware of the FRA, and find it approachable. This should include measures such as requiring FSPs to provide details of the FRA and how to approach it, in case they are dissatisfied with FSP's response. This may particularly be done as part of (i) sales process of the FSP and (ii) communications when responding to consumer complaints.
10. Implement sound and transparent accountability, performance management and disclosure systems.

A flowchart of *FRA Redress Process* is provided in *Section: Operational Design* on page 52.

Organisation Design, Staffing and Infrastructure

Recommendation #3: The mediators and adjudicators at FRA should focus on the task of providing independent redress to consumers. They should not be burdened with various support and management functions, which although integral to operating the FRA, are not part of their core functions.

The FRA should have a consumer-oriented organisation design. This is encapsulated below in *Figure 1*. The right side of the diagram shows functions that support the core functions related to redress, which are shown on the left. Some of the functions on the right could be outsourced.

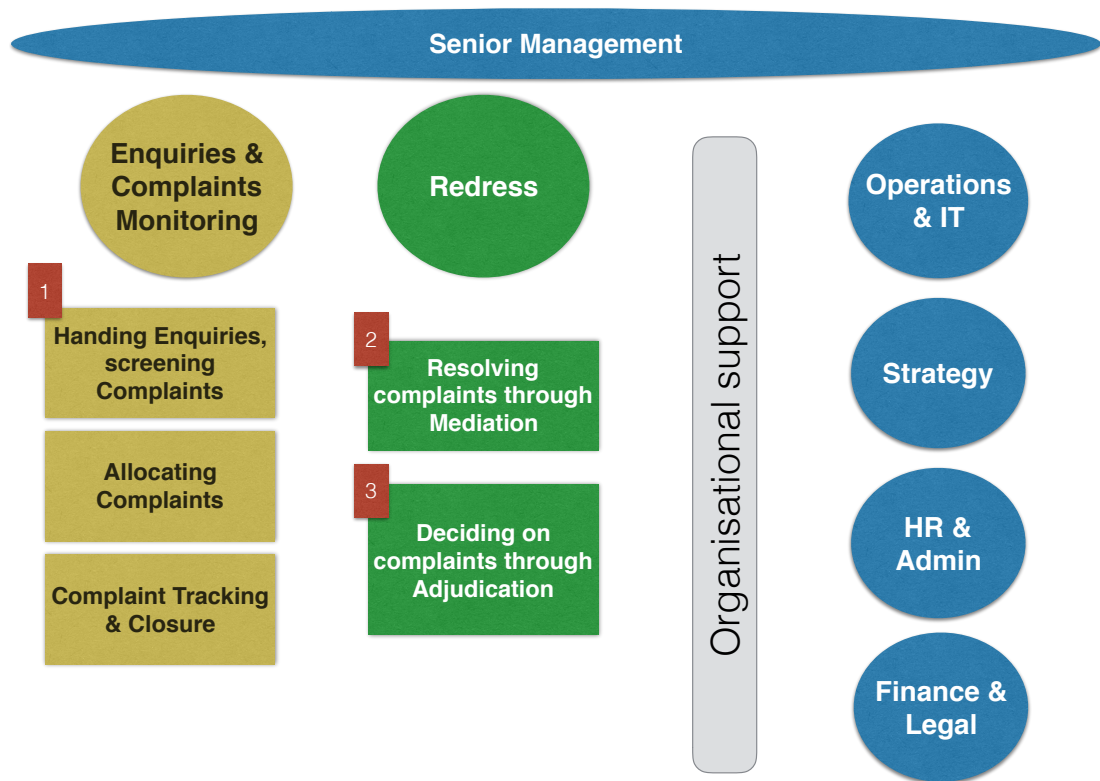


Figure 1: *FRA Organisation design*

Recommendation #4: Talented people who bring deep and diverse experiences, across the industry and from academics should be staffed at FRA. The teams should comprise of specialists representing the legal profession, customer groups, financial sectors, academia, and other relevant sectors. They should be able to appreciate pan-India consumer behaviour, across various socio-income profiles. The FRA should harness the existing skills and experience of regulators in handling redress through suitable training programs for FRA as well as recruitment of experienced Ombudsman and case handlers.

Funding Requirement and Business Model

Recommendation #5: GOI may consider providing an overall budget of about Rs. 90-100 crore to operationalise the FRA, as outlined below:

- A significant portion of this, about Rs. 70-75 crore, would be allocated for the first year's operations after the shell entity is created (Recommendation #7).
- In addition, there would be a capex on IT and technology. This would tend towards a lower amount in case the IT solution related to CRM and CMS is purchased on a transactional model and customised, as against building the solutions from ground up. The specific costs towards this may be estimated at an appropriate stage. The Task Force has considered a budget of Rs. 10-15 crore for this.
- The cost of the primary consultant is estimated at about Rs. 6.5-8.5 crore.
- It is suggested that the office premises be taken on a lease basis.

The underlying assumptions provide for increase in capacity over the initial five years. These are discussed in detail in the *Section: Funding Requirement and Business Model and Consultant Cost*.

Recommendation #6: The regulators in consultation with FRA should devise a model to levy fees on the FSPs for funding the FRA. These levies should be collected by the regulators as part of its existing mechanisms on behalf of the FRA. The fee model should be a hybrid model comprising (i) a base flat fee, (ii) a variable fee based on the size of the entity and (iii) number of complaints against the entity and the stages at which the complaints are resolved. No fee should be charged to the consumer.

Implementation Steps

Work to be done by GOI

Recommendation #7: GOI may initiate the following steps immediately:

1. Set up the shell FRA through an *executive order* to empower it to procure, enter into contracts, build physical infrastructure, hire staff and consultants, receive funds and make expenditure. Recruit the FRA *Chairperson* along with persons in some of the other leadership roles, including the *Chief Operating Officer (COO)*, and make the requisite budgets available.
2. Procure the Primary Consultant to assist in scaling the shell FRA to a fully functional redress agency.
3. Empower a statutory FRA through a *financial consumer protection and redress legislation* to enable it to discharge its redress function.

One of the mandates of the Task Force is to guide the Primary Consultant work in operationalising the FRA. As recommended above, the Primary Consultant may be taken on board once the shell FRA is created and its *Chairperson* identified. GOI may at that time create a project management team to guide the scale up. This has been discussed in *Sub-section: 7.1 on page 88* in *Section: Project Management, Transition and Go-live Plan*.

Relevant consulting expertise in India is expected to be limited. However, consulting expertise would be available on core aspects of project management and agency implementation, including functions which are important for FRA, namely CRM and CMS.

Recommendation #8: The FRA scale up should get the benefit of relevant international consulting expertise. This may be achieved through specification for international expertise in the Consulting team, as proposed in the Consultant team profile outlined in this report. In addition, it is suggested that Technical Collaboration be explored with United Kingdom Financial Ombudsman Service (UK-FOS) and/or Australia Financial Ombudsman Services (Australia-FOS), both of which are among the best sector neutral financial sector redress agencies in the world. This will bring in operational insights relevant for a modern

redress system and supplement the expertise already built around the Indian context. This should result in an International Technical Team that would help guide the operationalisation and initial scale up.

Go-live Timelines

Recommendation #9: Once the shell FRA and the Primary Consultant are in place, *GOI may plan for the FRA to go live in 12 months*. GOI, during this period, should enable a statutory FRA with all the requisite powers to discharge its redress functions.

The capacity proposed in *Section 5: Organisation Design, Staffing and Infrastructure* should be achieved in one year from setting up of the shell FRA. Thereafter, it should scale up as needed with an aim to continuously provide a standard high quality service and turn around time. A high level estimate of the infrastructure comprising head office space, helpline capacity, and facilitation centres to enable consumers to access the FRA is provided in *Section 5 on page 54*.

Transition Plan

Recommendation #10: The following transition plan should be implemented:

1. *Phase I:* Empower the FRA to redress complaints regarding insurance and pension that are currently being handled by IRDAI, insurance Ombudsman and PFRDA. The preparatory work for this should begin once the shell FRA is established. This process may be completed within three months of go-live of the statutory FRA.
2. *Phase II:* Empower FRA to redress complaints by retail consumers against FSPs regulated by SEBI as well as retail complaints that are at present taken up by RBI and banking Ombudsman. This process may be completed within one year of go-live of statutory FRA.
3. *Phase III:* FRA should cover all regulated/ registered FSPs, for example

NBFCs, who are today not covered adequately under existing redress mechanisms. This process may be completed by the end of year two.

Phase I of transition comprises of coverage of the Insurance Ombudsman based system, as it is relatively closer to the concept of FRA. PFRDA, the youngest regulator that has not yet operationalised its proposed Ombudsman scheme should also offer services of FRA to its consumers in this phase. RBI too runs an Ombudsman scheme. Therefore, it is possible to pick either this or the one for insurance for *Phase I*. However, since banking is the major channel of insurance distribution and other investment products, it might be useful to sequence this along with the coverage of retail complaints by SEBI (which does not run an Ombudsman scheme) in *Phase II*.

Concerns and Challenges

During the meetings of the Task Force, RBI and SEBI raised concerns in relation to:

1. Effectiveness of FRA in providing redress as a centralised agency, as against regulators providing redress;
2. Possible issues related to co-ordination between FRA and the regulators when the redress function for retail consumers is housed in FRA; and
3. Possible cost implications, as FRA would be created afresh, while a certain level of redress capacity has already been created over the years within the regulators.

The Task Force considered these factors while recommending the requirements of FRA's legal framework, operational model and organisation design.

However, RBI and SEBI have expressed their reservations and have submitted that their existing systems are best suited to serve the needs of retail consumers. In their view, there is no justification for establishing FRA for retail consumers of banking and securities market. Their detailed comments are provided in *Section: Feedback from RBI and SEBI on page 122 in Annexure: C*.

During the course of its deliberations, many queries were raised about FRA.

These include concerns of the regulators and covered aspects related to its jurisdiction and role. These also related to definition of FSP. The appendix to this report contains a detailed set of *FAQs* on the FRA. This might benefit stakeholders that would be involved in operationalisation of the FRA, the initial team of the FRA and the financial regulators who will work closely with the agency.

3. Legislative Framework

Recommendation #1: *GOI may conceive a financial consumer protection and redress legislation by adopting the relevant consumer protection provisions from the IFC 1.1, and pursue the operationalisation of FRA in parallel with the proposals to create a non-sectoral regulatory framework. GOI should amend existing legislations, as necessary (including those governing the banking; securities market; insurance; and pension sector), to align them with the FRA's design. This will provide the requisite enabling framework for the proposed FRA, and might be an operationally preferable route if enacting the provisions of IFC 1.1 in full at one go might take more time.*

Over the years, the Indian economy has grown both in size and sophistication. India is home to one of the most modern and inexpensive securities markets in the world, while its National Pension Scheme (NPS) boasts one of the lowest fund management fee structures. However, in line with this increasing sophistication, the Indian financial markets have also become more complex. In order to fully benefit from the evolving financial markets, the regulatory and supervisory infrastructure governing them have to be in sync. However, current laws governing the Indian financial sector are outdated.

In 2007, the *Report of the High Powered Expert Committee on Making Mumbai an International Financial Centre* emphasised deregulation and liberalisation of the financial system as necessities for bringing India at par with global financial centres. The committee called for deeper and wider reforms and improvements in India's financial system as well as the way it is governed and regulated.⁶

Similarly, in 2009, the Committee on Financial Sector Reforms (chaired by Raghuram G. Rajan) was established under the former Planning Commission (GOI) to identify challenges in meeting the needs of the Indian economy, and changes in the regulatory and supervisory infrastructure that would allow the financial sector to play its role. The report (*A Hundred Small Steps: Report of the Committee on Financial Sector Reforms*) highlighted that the Indian financial sector is governed by multiple laws, rules and regulations (as well as multiple agencies), leading to regulatory gaps, overlaps, inconsistencies and regulatory arbitrage. The Committee recommended a more streamlined regulatory

⁶Ministry of Finance, Government of India, *Report of the High Powered Expert Committee on Making Mumbai an International Financial Centre*.

architecture with increased coordination between regulators. The Committee also recommended a more coordinated process for regulators to protect consumers and raise financial literacy.⁷ In the same year, the Committee on Investor Awareness and Protection, chaired by Dhirendra Swarup, submitted its report (*Financial Well-Being: Report of the Committee on Investor Awareness and Protection*) on investor awareness and protection. The Committee recommended measures to enlarge financial literacy and awareness.

Flowing from this, FSLRC was constituted by GOI in March 2011, with a mandate to review the legal and institutional structures of the financial sector and contemporise it for modern realities. The legal systems in India (and existing regulatory arrangements) were observed to be short of protecting the financial consumers, and a consolidated non-sector specific consumer protection framework for the entire financial system was clearly required. To address these concerns, FSLRC identified consumer protection as a key regulatory objective with both preventive and curative components. The preventative tools included providing:

1. Certain protection to all financial consumers;
2. Additional set of protection to unsophisticated consumers;
3. A list of powers to regulators in order to implement these protections; and
4. Power to regulator to supervise financial service providers, initiate enforcement and disciplinary actions.

The curative tools included creating:

1. An independent FRA to redress complaints of retail consumers against all FSPs; and
2. A research team under FRA to analyse complaints data and provide feedback to the regulator on areas for improvement in regulation or supervision.

⁷Planning Commission, Government of India, *A Hundred Small Steps: Report of the Committee on Financial Sector Reforms*.

3.1. Legislative Pre-requisite

Developing a clear understanding of the proposed FRA and how it differs from the present systems would help create an enabling legislative framework for an independent FRA.

Currently, information asymmetry in the redress process leaves FSPs at an advantage, at the expense of the consumer; the consumer may not always be sophisticated, and might have difficulty accessing redress or even information about it. Even a financially well off and educated consumer would usually not be as well resourced or as experienced in the redress process as the FSP.

IFC proposes a comprehensive consumer protection regime for all consumers, with certain additional protections for retail consumers. Access to a redress agency is just one of these protections, and is in fact the last line of defence for the consumer. The broader regulatory regime must therefore be able to provide requisite protection to consumers from FSPs, i.e. for FRA as a curative tool to be effective; it must function in parallel with effective preventive tools.

What will FRA do? This has been highlighted on *page 12* in the *Executive Summary*. *Figure 2* depicts the proposed FRA operational model.

FRA will replace the sector-specific redress mechanisms (*Steps: Financial Consumer Protection and Redress Legislation* on *page 29*) and provide a unified system for all financial services. However, consumers will continue to have the option to approach other available forums, such as Consumer Courts established under the Consumer Protection Act (CP Act), 1986.

While regulators currently have different processes for addressing complaints, FRA would redress them through mediation and, where mediation fails, with a light touch adjudication designed to resolve disputes without resorting to lengthy legal processes.

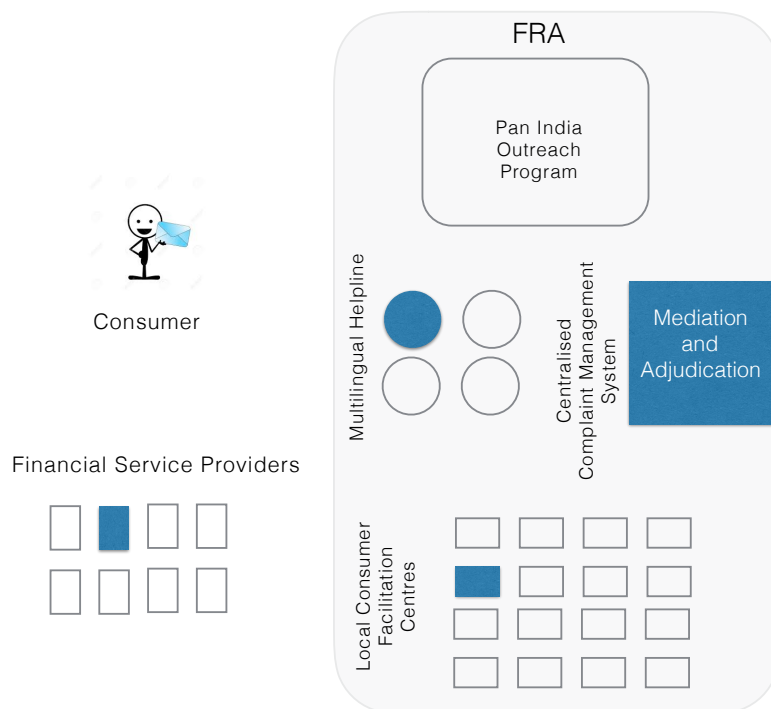


Figure 2: *FRA Model*

Box 1: *Current Redress Mechanisms*

Financial consumers in India are presently provided redress through six authorities:

1. RBI - banking and NBFC sector through Banking Ombudsman (BO);
2. SEBI - securities market through call centres, web-based SEBI Complaints Redress System (SCORES);
3. IRDAI - insurance sector through it's web-based Integrated Grievance Management System (IGMS) and Insurance Ombudsman;
4. PFRDA - pension sector through web-based Central Greivance Management System (CGMS) managed by its Central Recordkeeping Agency (CRA) and call centres;
5. Ministry of Corporate Affairs (MCA) - unlisted companies through a web-based system; and
6. Consumer Courts.

3.2. Financial Consumer Protection and Redress Legislation

In order to facilitate a well functioning preventative environment, *financial consumer protection and redress legislation* should be created. This law is needed to (i) empower FRA to provide redress and (ii) strengthen regulatory framework on consumer protection for implementation by the regulators. The legislation is important as the effectiveness of FRA in providing redress, as a stand-alone agency, as against regulators providing redress, would flow from it. To illustrate, *currently, there are no penal provisions available in the Redress of public grievances rules, 1998 for the non-implementation of the award passed by insurance Ombudsman*. The legal provisions related to current redress systems are discussed in *Current Redress: Data and Practices in Annexure*. The decisions of the FRA would be enforceable as the order of civil court under the Code of Civil Procedure, 1908 (5 of 1908).

The proposed legislation should be created by:

1. Adopting the relevant consumer protection provisions from IFC; and
2. Pursuing FRA operationalisation in parallel with the proposals to create a non-sectoral regulatory framework.

This approach has its merit in case creation of a non-sectoral regulatory framework is expected to take more time.

Figure 3 outlines the rules around regulation making, co-ordination with regulators including the feedback loop under the proposed FRA as envisaged in the *draft IFC 1.1*. The proposed legislation will need to provide an effective framework for feedback, co-ordination and governance so that FRA is effective as a standalone agency. The operational design around *FRA Regulatory Co-ordination Framework* is explained in *Section: Operational Design* on page 53.

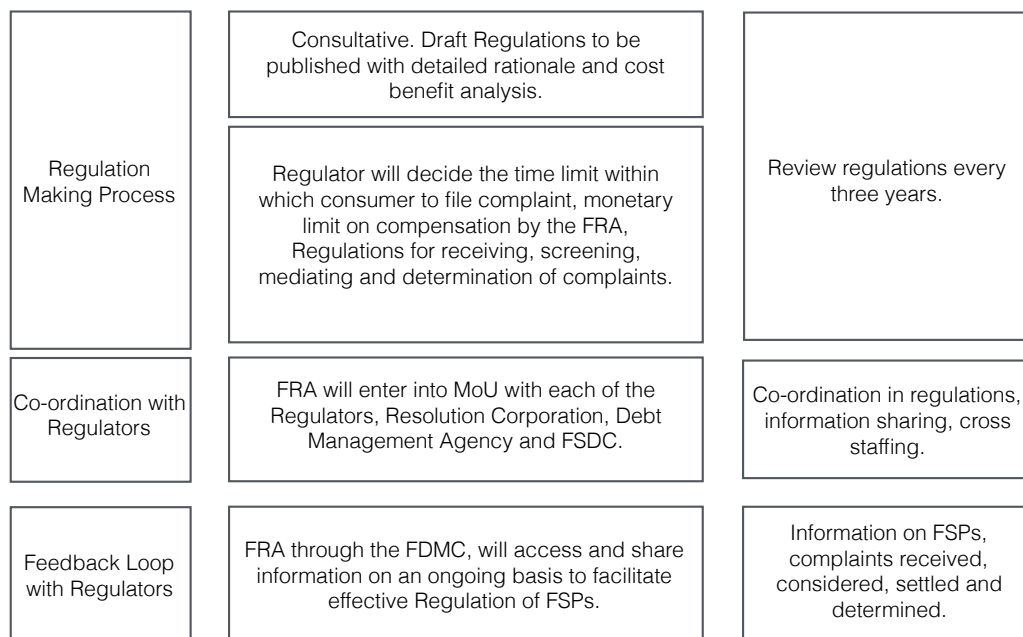


Figure 3: FRA Regulation Making and Feedback Loop

However, it must be highlighted that this approach will work best if all the regulators harmonise their regulations as per the above legislation. This will be specially relevant in case of SEBI, IRDAI and PFRDA as they all regulate products which at their core are investment products and a significant proportion comprise of market linked products where the need for consumer protection is of a higher order.

This aspect has been well highlighted in the past: For example, a committee⁸ constituted by IRDAI to study the distribution of insurance products by banks (Bancassurance model of distribution) had deliberated on the need of having a common code of conduct for the insurers and bankers. *It emphasised for*

⁸Insurance Regulatory and Development Authority, Government of India, *Report of the Committee on Bancassurance*.

Box 2: *Steps: Financial Consumer Protection and Redress Legislation*

This legislation should be based on *Part VII of the draft IFC 1.1* as this provides a comprehensive consumer protection and redress framework. However, since the *glsifc* assumes a two regulator architecture, the drafting of the proposed law would need to address this by taking into account the current regulatory framework and mandating the financial sector regulators to implement the provisions of the proposed law.

In the opinion of the Task Force, drafting of this standalone legislation should be possible in a relatively short duration. It will require:

1. Review of existing laws pertaining to financial sector regulation and identification of gaps vis a vis consumer protection and redress provisions in Part VII of the draft IFC 1.1;
2. Listing of provisions in existing financial sector regulatory framework which need to be repealed;
3. Amendments to repeal provisions in existing legislations which are inconsistent with the proposed legislation;
4. A standalone *Financial Consumer Protection and Redress Legislation* based on draft IFC 1.1.

The GOI has already received public comments on the *draft IFC 1.1*. The feedback related to consumer protection and the FRA should be used as an input for the proposed legislative framework. The Task Force has separately provided its feedback to the GOI on the FRA related provisions in the draft IFC.

making a request to RBI to make banks accountable to the Banking Ombudsman for mis-selling and other policy servicing complaints related to bancassurers. However, the committee also stated that the Insurers would also be answerable to the policyholder.

Therefore, the regulators would need to work in a highly co-ordinated manner to ensure that the consumer protection provisions translate into regulations and enforcement actions that are consistent across the regulators. This will to an extent determine the burden on the FRA in its task of providing redress. It would need to deal with an increased workload on account of complaints arising on account of exploitation of regulatory arbitrage by the FSPs. This has been discussed as a key reason for mis-selling in retail investment products in the *Sumit Bose Committee Report*⁹.

In addition, it is expected that the proposed Financial Sector Appellate Tribunal (FSAT)¹⁰ would be established before a statutory FRA is in place. This will enable all appeals against FRA to be taken up by a single agency. In case there is a delay in operationalisation of FSAT, the present SAT may be empowered to take up all appeals against FRA.

The Task Force strongly believes that a good operating model needs to be backed by an effective legislative framework for the FRA to achieve its objectives. It would in-fact be sub-optimal to operationalise the FRA without this.

⁹Sumit Bose, *Report of the Committee to recommend measures for curbing mis-selling and rationalising distribution incentives in financial products*, August 2015.

¹⁰The Task Force on reviewing the current Securities Appellate Tribunal (SAT) and establishing FSAT submitted its recommendations in 2015.

4. Operational Design

Recommendation #2: *The FRA should have a scalable operating model that is designed ground up using technology intensive processes. It should offer a customer-friendly and accessible approach, and discourage court-like processes. Teams of technical experts should assist the mediators and adjudicators at FRA.*

The redress mechanisms are usually *reactive* in their approach as against being *proactive*. They can also be intimidating for the consumers. This is especially true for courts, including consumer courts. This can be observed in many practices including requirement to submit complaints in writing at a physical location, need to get documents stamped, hire lawyers etc.

It is recommended that the FRA should:

- Enable access through multiple means to enable access to all retail consumers. Enable mediation and adjudication through telephonic and web-based communication, including video. Requirement of physical hearing should be minimised. FRA should use *Braille*, audio and other friendly methods to reach out to the physically challenged.
- When a complaint is registered with the FRA, it should forward it to the concerned FSP providing it a short period to provide a remedy. This should serve as a pre-mediation stage. Even if a small percentage of the complaints are resolved through this mechanism, it will help provide speedy redress and reduce the workload at FRA.
- Have processes to discourage delays by the FSPs. The quantum of costs to be imposed in such situations should be codified. The FRA should also collect, analyse and release data on delays (*like rescheduling of calls, seeking extension of time*) by the FSPs and consumers in the redress process.
- Run a scalable, multilingual helpline. Provide local facilitation centres for complaint registration, scanning and uploading of information. *FRA may outsource these functions to private firms. In case of facilitation centres, it may also collaborate with suitable government/ public infrastructure, including common service centres, to scale this up rapidly and manage this in a cost efficient manner.*

- Run an adequately staffed research team to analyse data and enable a strong feedback loop to the regulators.
- Define end-to-end workflow with detailed process, which includes escalation and exception handling.
- Recruit high calibre mediation and adjudication team with experience from industry, regulators, consulting, academia and research. Recruit high calibre support teams with relevant subject knowledge and/ or legal expertise. Invest in a structured training program, including refresher training for its staff.
- Run an effective awareness campaign so that the maximum number of consumers are aware of the FRA, and find it approachable. This should include measures such as requiring FSPs to provide details of the FRA and how to approach it, in case they are dissatisfied with FSP's response. This may particularly be done as part of (i) sales process of the FSP and (ii) communications when responding to consumer complaints.
- Implement a sound and transparent accountability, performance management and disclosure system.

The pace of liberalisation in the last few decades has led to the exponential growth of financial sector in India. A significant proportion of the Indian population is now looking to augment their income, insure their capabilities and secure their retirement through pension products. In such a scenario, it becomes imperative that companies in the financial sector must further enhance their capacities to tap into the opportunities generated by the market. They must invest in range of options to further their ability to innovate and engineer creative products, ensure stability and further a bond of trust and confidence with the ordinary Indian citizen.

While it shall be prudent for the Indian regulators to sustain their efforts in providing an enabling environment to the financial companies for further growth and progress. It is, at the same time, essential that an ordinary investor is able to have trust in the financial sector as a whole. In this regard, the advent of technology has not only ensured better transparency, it has also helped consumer groups to mobilise themselves like never before and advocate for better disclosure norms. However, the presence of certain financial intermediaries whose pursuits

Box 3: *FRA: Less court like*

Table 1: *How mediation and adjudication compare with litigation?*

Mediation	Adjudication	Litigation
Parties or the mediator can offer proposal. Parties make the decision to settle or not	Adjudicator makes the decision	Judge makes the decision
Less formal process	Less formal process	Formal and often technical processes
Rules of evidence do not apply	Rules of evidence are relaxed	Formal rules of evidence
Limited discovery/ fact finding	Limited discovery/ fact finding	Formal discovery/ fact finding
Often quicker and cheaper than litigation	Often quicker and cheaper than litigation	Can be expensive and time consuming

Mediation and adjudication are by design less court like. Different dispute resolution processes can be understood as those that are rights based and those that are interest based. Mediation is interest based and it expands the legal discussion to examine underlying interests, deals with emotions, and seeks acceptable solutions. Adjudication can combine both interest based and right based elements. For example, it would consider legal terms and provisions and may apply relaxed rules while considering evidence.

are guided by short term financial rewards and unjust enrichment through anonymous trades, should not be able to jeopardise the foundations of the entire system.

It therefore becomes important that the state not only has the mechanisms, but also the capacity to effectively intervene and provide cure for customers who are deceived by unscrupulous libertines and help them enforce their claims.

The consumer courts in India were conceptualised with similar vision. However, they are today overburdened (Refer *Box 4: Pendency of Complaints at Consumer Courts*).

Box 4: Pendency of Complaints at Consumer Courts

Commission ^a	Old Pendency [Upto 2015]	Filed Plus Re- stored [2016]	Hearings [2016]	Disposed [2016]	Current Pendency
NCDRC	10,295	1,876	12,195	1,585	10,586
State Consumer Dispute Redressal Commission (SCDRC)	138,917	5,959	63,154	4,203	140,664
District Forum	301,936	34,784	421,925	22,134	314,586

^aSource: Data taken from <http://confonet.nic.in/DBPendency.html> on 29/03/2016

Consumers often need to depend on lawyers and the complaints usually take a long time to be resolved. Lawyers represent about 90 per cent of the complainants at the NCDRC. A consumer should not feel the need to have services of a lawyer to get redress at the FRA.

Further, as many as 364 positions (cumulatively) were vacant in the consumer courts in 2015. FRA would need to implement processes to ensure it does not fall into this trap.

Comparatively, the financial sector regulators have performed much better in ensuring that the level of pending complaints are reduced (Refer *Table Complaints (excluding queries) outstanding at the end of year* in sub-section

Current Redress: Data and Practices in Annexure. The sub-section also provides age analysis of complaints at each of the regulators for the past few years).

The proposed FRA would need to cover all FSPs. This will expand the coverage currently being provided. For example, RBI's Banking Ombudsman does not cover NBFCs (Refer *Box 5: No Ombudsman for hearing complaints against NBFC*).

Box 5: No Ombudsman for hearing complaints against NBFC

There is no Ombudsman for hearing complaints against NBFC.^a However, in respect of credit card operations of an NBFC, which is a subsidiary of a bank, if a complainant does not get satisfactory response from the NBFC within a maximum period of thirty (30) days from the date of lodging the complaint, the customer will have the option to approach the office of the concerned Banking Ombudsman for redressal of his grievances.

If complaints or grievances against the NBFC are submitted to the nearest office of the RBI, the same are taken up with the NBFC concerned to facilitate resolution of the grievance/complaint. Further, all NBFC have in place a Grievance Redressal Officer, whose name and contact details have to be mandatorily displayed in the premises of the NBFC. The grievance can be taken up with the Grievance Redressal Officer. In case the complainant is not satisfied with the settlement of the complaint by the Grievance Redressal Officer of the NBFC, he/she may approach the nearest office of the RBI with the complaint. The details of the Office of the RBI has also to be mandatorily displayed in the premises of the NBFC.

^aReserve Bank of India, *Frequently Asked Questions*.

FRA will also provide comprehensive redress mechanisms to all retail financial consumers. This will bring additional level of protection to a large number of consumers. For example, SEBI's redress mechanism is today limited and it does not have the power to act as judge if the company denies any wrongdoing on its part (Refer *Box 6: Limited redress mechanism available for Securities market* for details). SEBI runs a complaint facilitation mechanism through SCORES, which is an online system that re-directs investor complaint to the relevant FSPs. It does not have an Ombudsman. The current system setup by PFRDA is also a complaint facilitation system where PFRDA facilitates the consumer in seeking redress from the financial firms. The *Pension Fund Regulatory and Development Authority (Redressal of subscriber grievance) Regulations, 2015*

do provide for setting up of an Ombudsman for the pension sector¹¹.

Box 6: *Limited redress mechanism available for Securities market*

SEBI provides a limited redressal mechanism for complaints in the securities market. The Frequently Asked Questions for SCORES reflect that that SEBI cannot act as a judge if the company denies wrongdoing. Nor can it force the company to resolve such complaint. Some of the relevant questions from the SCORES FAQ manual are.^a

Q. What are the limitations in dealing with my complaint?

In certain cases, the entity or company denies wrongdoing, and it remains unclear as to who is wrong or whether any wrongdoing occurred at all. If this happens, SEBI cannot act as a judge or an arbitrator and force the entity or company to resolve your complaint. Further, SEBI cannot act as your personal representative or attorney. But the law allows you to take legal action on your own.

Q. When can SEBI take action for non-resolution of my complaint?

While the entity is directly responsible for redressal of your complaint, SEBI initiates action against recalcitrant entities on the grounds of their failure to redress large number of investor complaints as a whole. For redress of your complaint, you may have to pursue appropriate legal/arbitration remedies.

^aSecurities and Exchange Board of India, *Frequently Asked Questions for SCORES*.

The redress mechanisms provided by the stock exchanges in India for its members and customers who trade on them appear to have developed well and are expected to continue providing a credible option for the consumers and members of these exchanges to have their disputes resolved. The National Stock Exchange (NSE) has an Investor Grievance Resolution Panel (IGRP), which acts as a mediator to resolve the claims, disputes and differences between entities and complainants. In case a consumer is not satisfied with the conciliation done by IGRP, the route of arbitration can be chosen¹².

Bombay Stock Exchange (BSE) too has an arbitration mechanism to redress consumer complaints. It has a Department of Investors Services (DIS), which handles consumer grievances. It has established fourteen regional investor service centres to provide redress to investors¹³.

¹¹PFRDA had proposed that complaints from NPS customers may be taken up by the insurance Ombudsman. However, this did not materialise.

¹²See https://www.nseindia.com/invest/content/about_arbitration.htm

¹³See http://www.bseindia.com/investors/cac_tm.aspx?expandable=2. BSE provides for award of claims and costs. The arbitration decisions are available on its websites. The

Global evidence indicates that once the redress mechanisms are reformed, consumers will gain greater confidence and will approach the system in much larger numbers, at-least in the initial years. UK's Financial Ombudsman Service (FOS) has seen a ten fold increase in complaint flow over the last decade. Australian FOS has seen annual complaints double since it was set up in 2008. US's Consumer Financial Protection Bureau (CFPB) dealt with 240,000 cases in 2014, two years after it was established.

It is therefore important to equip the FRA with adequate capacity, speedy processes and friendly procedures to address the task at hand and generate a high level of confidence among the retail consumers and the FSPs.

While designing a successful redress agency, it is important that such an agency incorporates the global best practices and amalgamates them suitably into the local Indian context. With respect to the developed world, the penetration of financial services in India is low. However, India's high population and geographic diversity accompanied with financial illiteracy make it imperative that the redress agency should be able to ensure last mile connectivity to the users of financial services.

4.1. Design Philosophy

The following design philosophy should guide FRA's operating model:

1. Access

- a) **Being informal and customer friendly:** Modern redress mechanism must rely more on use of electronic mediums, over the traditional face-to-face interactions. Even in electronic communications, the use of telephonic or verbal communication may be promoted to ensure comfort for users not well versed with writing process. It is also important the orders can be written in simple language, including the provisions of local languages, if possible. Emphasis should be on solving the complaints through amicable settlements (mediation, conciliation) over detailed investigations.

redress mechanism of BSE and NSE are similar. For the purpose of this study, the NSE system has been discussed in detail.

- b) **Being visible and accessible to consumers.** FRA should be able to communicate to consumers in the language of their choice and make itself accessible to all retail consumers including those who might be illiterate or poor. *UK-FOS* communicates with consumers in over 40 languages other than English. Similarly, the user interface of their complaint system is designed with customer friendliness at its core.

2. Redress

- a) **Geared for timely resolution of complaints:** The task force understands that some disputes are complex and no time lines can be imposed on resolving them. Nonetheless, a successful redress scheme will have to use creative ways and respond to disputes as quickly as possible. *Australia-FOS* has tested and implemented a fast track process that targets resolving complaints suited for this track within 14 days. FRA would benefit consumers by developing similar approach to solutions. The heuristic to correctly distinguish a simple and low value complain might evolve over a period and it is possible that some cases might be identified incorrectly initially.
- b) **Minimise hand-offs:** Aim for an environment where once allocated to a case officer who can substantively deal with the matter, the file stays with them and need only be read by the responsible officer and a supervising senior decision-maker/ quality reviewer.
- c) **Involve senior staff early in complaints:** FRA should build a system to place senior, experienced input as close to the front end of the process as practicable. This will give the parties confidence that the merits of the dispute are being engaged with. It will strengthen the FRA and provide some 'future-proofing'.

3. Policy insights and regulatory feedback

- a) **Being proactive** and influential in the policy environment through its feedback process, FRA should be able to influence regulators to improve consumer protection regulations and supervision. It should, through the regulators, influence the FSPs to strengthen their internal redress systems. The benefits of this approach can be immense. For example, based on feedback, SEBI revamped its

application process for public issues by introducing ASBA¹⁴, when it faced many complaints related to refund of application money. This led to near elimination of complaints on this account.

4. Organisation design, operations, costs

- a) **Maximise accountability:** This is essential for effective and speedy redress to consumer complaints. The FRA should aim for a design that maximises individual staff members and local teams' sense of accountability for the end-to-end process.
- b) **Use of technology:** It is clear that underlying the redress function of the FRA is a well functioning technology engine. This is evident in FRA's operations related to receiving and screening of complaints or allocation of work load, management of entire workflow and recording and analysis the vast amount of data that would be generated. This technology engine needs to be well designed and executed. The FRA should not try to graft IT onto existing working practices, which might be prevalent in the redress schemes operating in the country. This tends to be costly, difficult, and in the end, often delivers a *mess for less* that is, it replaces today's inefficient, paper based processes with IT- based systems. It does not fundamentally change the underlying processes and procedures¹⁵. *FRA should design its processes in a technology neutral manner. Technology should then be used to implement these in the most effective as well as cost efficient manner.* For example, once FRA has designed its processes related to disclosures - it should use technology to enable these disclosures in *machine-readable format*. All disclosures should be made available in multiple electronic formats on FRA's website. Similarly, issues related to access to redress system in a large country like India where most people live outside of big cities, may be partly addressed largely using technology in a viable manner.

¹⁴Application Supported by Blocked Amount (ASBA) is an application containing an authorization to block the application money in the bank account, for subscribing to an issue. The investor does not have to bother about refunds, as in ASBA only that much money to the extent required for allotment of securities, is taken from the bank account only when his application is selected for allotment after the basis of allotment is finalised.

¹⁵Civil Justice Council, UK, *Online Dispute Resolution for Low value Civil Claims*.

4.2. Management Features

A high quality governance and accountability model enshrined in law is pre-requisite for an effective redress agency. This has been envisaged by the FSLRC. The draft *IFC1.1* empowers the financial regulators to impose service level requirements on the redress agency with measurable targets on matters such as the total cost to parties for proceedings before it, compliance cost for financial firms and time-periods for each step of the redress process. The redress agency will be accountable for meeting these targets with a requirement to explain any failure to do so. These measures are designed to compel the redress agency to strive towards maximum efficiency in its processes and functioning.

Figure 4 depicts a high level management process under the proposed FRA.

Funding	(a) Grants and loans from Central Government (b) Levy fees on Financial Service Providers (FSPs) (c) Fees collected from Respondents (d) Costs imposed on Parties	Fees as in (b) maybe collected through the Regulators.
Performance Review	External Experts to Review Performance. FRA to publish the Review and its actions plan on the Review. Regulators must in consultation with FRA set goals for its functions and measure its efficiency. FRA must publish the same and publish its performance.	Every three years As part of FRA's annual report.
Board	Executive members including FRA chairperson to not exceed half of the Board. Each regulator to have a nominee. Maximum seven members.	Members appointed by Regulators in consultation with Government. Five year tenure, unless retiring.
Advisory Council(s)	Technical in nature. Maybe set up by the Board. To be governed by FRA's bye-laws.	Council(s) will submit reports to the Board which the Board shall be bound to publish.

Figure 4: *FRA Management Process Overview*

UK-FOS and Australia-FOS publish a series of documents to measure performance and promote accountability. This information can be used by government, policy makers and researchers to inform policy issues further. This helps ensure that the financial ombudsmen are transparent and accountable. Some of the best practices are highlighted below. The FRA should adopt these:

1. Regulatory compliance, performance measurement and accountability:

- *Annual reviews:* The UK-FOS publishes annual review containing facts, figures and information about the complaints received, types of complaints, how the complaints were dealt with, profile of the complainants, information about the FSPs against whom the complaints were made¹⁶. Similarly, Australia-FOS's annual review provides a detailed analysis of the disputes and the outcome of the disputes¹⁷.
- *Statistics relating to disputes and resolution:* UK-FOS regularly puts out statistics about the complaints brought to it. The complaints data include:
 - The financial products most complained about;
 - Outcome of the complaints;
 - Complaints data naming individual FSPs; and
 - Database of decisions made by the ombudsmen on individual cases.

Australia-FOS publishes comparative tables that present disputes statistics about FSPs. The information captured in these tables include:

- Chance of a dispute coming to Australia-FOS;
- Average length in resolution;

¹⁶<http://www.financial-ombudsman.org.uk/publications/annual-reviews.htm>

¹⁷<http://www.fos.org.au/publications/annual-review.jsp>

- Outcomes of the resolution process

2. Strategic plan:

- *Annual plans and budgets*: Each year UK-FOS consults stakeholders on their plans and budgets for the coming year. Their consultation paper¹⁸ gives details of the work done by UK-FOS for the first three quarters of 2013-14 and sets out plans for 2014-15. After receiving comments and feedback on its plans and budget, the UK-FOS publishes its budget as approved by Financial Conduct Authority (FCA).
3. **Funding**: There are currently two types of funding models being used internationally. The first model makes use of levies and fees on FSPs and the second model includes levies along with budgetary grants.

4.3. Structural Features

1. Access

- a) Only retail consumers as proposed under *IFC 1.1* should be eligible for redress from the FRA.

2. Redress

- a) The FRA would be a unified grievance redress system for all financial services and cover all regulated FSPs.
- b) It should have a standardised database and complaint system, and common procedure with some sector-specific modifications.
- c) It's processes should be designed to allow FSPs and regulators to integrate with its IT system with a aim towards greater and direct visibility toward consumer's complaint history at FSP, system based communication (instead of emails etc.) and a strong information exchange system with regulators.

¹⁸Financial Ombudsman Service, United Kingdom, *Our plans and budget for 2014/2015*.

3. Policy insights and regulatory feedback

- a) FRA must publish its policy insights, decision orders and complaint data. It must respond to comments. The disclosures must be provided on its websites in multiple formats including *machine-readable* format.

4. Organisation design, operations, costs

- a) FRA should be headquartered in Mumbai¹⁹. It should provide local facilitation centres for complaint registration, scanning and uploading information. In case of facilitation centres, it may also collaborate with suitable government/public infrastructure, including common service centres, to scale this up rapidly and manage this in a cost-efficient manner. The local facilitation centre's basic function should be collection and forwarding of complaints and any future communication in a complete manner, and to serve as point of contact for the consumer. No mediation or adjudication should happen at the local facilitation centre.
- b) The head office should have an adequate team of mediators and adjudicators, supported by case handlers (technical support) and administrative staffs.
- c) The costs of FRA should be defrayed by the industry (collected through the regulators).
- d) FRA should make *full use of modern technology* - telephonic/ video hearings; digital handling of documents; telephonic/online registration of complaints; high quality database; track payment of compensation. As mentioned in the design philosophy, first the processes and workflows for FRA have to be documented, approved and schematics prepared. These should be technology neutral. Then IT should use these to prepare the best technological solutions.

¹⁹Mumbai is the financial capital of India and most FSPs, RBI and SEBI are headquartered there.

4.4. Redress Features

The remedies that may be awarded by the FRA include (i) directions to the FSP to take remedial steps; and (ii) payment of compensation to the consumer.

1. The consumers should have choice to approach the ordinary courts or consumer courts, instead of the FRA.
2. The redress process would start with the consumer filing a complaint through the financial service provider, local facilitation centre or directly through email, telephone, or website.
3. After a complaint has been lodged, the head office would do a prima facie check, classify the complaint into fast track process or standard track process. Under each of these tracks, the complaints will be further classified into vulnerable group and non-vulnerable group.
4. FRA should be required to give expected turn around time to the consumers. At the time of complaint, the FRA would inform the consumer the period within which the complaint will be handled. The FRA will publish detailed information and review of its performance.
5. FRA should issue communication to the concerned financial service provider for remedy. Once the provider responds, the FRA should frame a preliminary view, based on which it should inform the complainant. If the complainant is satisfied with the remedy, the complaint should be closed. If not, the head-office mediation team should consider all the available documents, contact both parties, and offer them terms it deems suitable. If the terms are not acceptable, the complainant must choose between adjudication at the FRA or going to courts.
6. Adjudicators should be independent of the executives of FRA. Their subject matter jurisdiction should be limited to consumer issues only, i.e., denial of service quality; reneging on a promise; violation of codes based on rights and protections provided in law. The adjudicators should use available documents, and if required, call for additional information and hold hearings. Adjudicator should give written, reasoned decisions, which should be final and binding.

7. FRA should have a strong internal complaint redress possible to resolve any grievance a consumer or a FSP may face while availing its service. Over and above this, it should have an *Independent Assessment Office*²⁰, which directly reports to the FRA Board and looks into cases where FRA's response might not have been satisfactory.
8. If the award is not satisfactory to either party, they may appeal to the proposed FSAT, and subsequently to the Supreme Court.
9. The FSP against which the decision/ award has been given must provide evidence of compliance with the award. If there is a failure to comply, the regulator(s) may take action against the institution.

Global best practices: Handling complaints

Financial consumers reach out to financial ombudsmen with a variety of concerns. These concerns can sometimes be mere queries or complaints against FSPs. FRA should consider adopting the screening mechanism for complaints from Australia-FOS in the Indian context.

Global best practices: redress decisions

Given below is a brief review of the useful attributes of the decision orders passed by the UK-FOS and Australia-FOS. The FRA should adopt these:

- The decision orders are written out in *simple English*.
- The *names/identities of the complainants are not made public*, however the names of the FSPs are disclosed in the order.
- The decisions give *details of the complaint and background of the case*. The details enable a good understanding of the background of the case. This is useful for reference purposes in case any future complainant wants to study the case.

²⁰Discussed in detail in the Section: Organisation Design, Staffing and Infrastructure

Box 7: Screening process of Australia-FOS

- *Queries are separated from complaints:* The queries raised by consumers may pertain to features of financial products/services, understanding Terms & Conditions (T&C) of financial products/services etc. Some of these queries can be handled at an initial stage itself. Australia-FOS has a dedicated phone number where consumers can call to ask questions. The phone line is run from 9 A.M. to 5 P.M. from Monday to Friday. Some of the frequently asked questions are also dealt with on Australia-FOS's website.
- *Complaints which are low value or less complex can be handled expeditiously and promptly:* Australia-FOS has a fast track screening process, where information is screened within first 28 days. As soon as it is recognised that a complaint is low-value and simple dispute, an adjudicator is involved early in the process and the matter is resolved through a joint conference call between consumer and FSP or a separate calls to both parties.
- *Complex complaints are handled with due care and deliberation:* Australia-FOS separates the standard and complex financial complaints and resolves the disputes through negotiation and conciliation and early guidance. Further, if the complex complaint involves financial difficulty then a tailored process, with regular over-the-phone engagement is devised for the financial consumer. Australia-FOS works with both the parties and tries to resolve the dispute with negotiation, conciliation or case assessment.

- The decision order of UK-FOS clearly *presents the evidence and the findings of the ombudsman*. The evidence and the findings of the ombudsman help in understanding how the ombudsman arrived at a said decision. In case of Australia-FOS, summary of both the applicant and FSP's position is given, followed by citing of relevant law and the reasons for decision.
- The decision orders give *clear instructions about fair compensation and how it must be calculated*. The orders clearly define how the FSP may proceed to compensate the complainant.
- The decision orders give the *grounds on basis of which a fair compensation was determined* and how the remedy provided by the ombudsman is suitable to address the concerns of the complainant.

Global best practices: enforcement/ appeal

Globally, in many a case, the Financial Ombudsman (FO) is a quasi-judicial body and therefore the finality of the decision taken by the FO may be appealed to a higher judicial body. For example, it is worth noting that in the leading countries in handling redress - both UK and Australia, the decisions are not appealable on merit of the decision. South Africa- Financial Advisory and Intermediary Services (S.Africa-FAIS) has a similar design. However, the IFC envisages that decisions of the FRA to be appealable.

Australia-FOS: In case of Australia-FOS, the complainant has the right to accept or reject the Determination within 30 days of receiving it (or within any additional time that is allowed). If the complainant accepts the Determination, it is binding on both parties. If the complainant does not accept the Determination, it is not binding on the FSP and the complainant may take any other available action against the FSP, including action in the courts. The FSP cannot accept or reject the Determination. There is no further appeal or review process at the Australia-FOS.

UK-FOS: In case of UK-FOS the consumer gets the opportunity to question and challenge the views of the FO on a dispute before the final decision on the case. Therefore, the consumer cannot appeal the merits of an FO's decision in court. A final decision by a FO draws a line under the case and brings finality to any further argument about the facts and merits involved. Since UK-FOS is a public body, it can be judicially reviewed by the courts. Nevertheless, a judicial review will generally focus on the way in which a FO has arrived at a decision, not on the individual facts and merits of the dispute itself. Simply disagreeing with the FO is not generally considered grounds for judicial review. The consumers have to get their legal advice before beginning judicial review proceedings.

S.Africa-FAIS: In S.Africa-FAIS, if the FO's recommendation is not accepted by the parties, the FO will make a final determination which may include:

1. Dismissal of the complaint
2. Upholding of the complaint wholly or partially, e.g. by awarding the complainant an amount as fair compensation for the financial prejudice or damage suffered.

The FO's determination has the effect of a civil judgment of a court. A determination is appealable to an appeal tribunal but only with the leave of the FO who will take into consideration the complexity of the matter and whether there is a reasonable likelihood that the appeal tribunal may reach a different conclusion. There is further right of leave to appeal to the Chair of the appeal tribunal, should the FO refuse leave to appeal.

4.5. Operational Features

The FRA should:

1. Enable access through telephone, missed call service, Internet, mobile apps, sms and video.
2. Enable mediation and adjudication through telephonic and web based communication, including video.
3. Provide local facilitation centres for complaint registration, scanning and uploading of information.
4. Manage end-to-end workflow through a web based CRM and CMS system with digital handling of documents and online tracking of compensation payments.
5. Recruit high calibre mediation and adjudication team with experience from industry, regulators, consulting, academia and research.
6. Recruit high calibre support teams with relevant subject and/ or legal expertise.
7. Invest in a structured training program, including refresher training for its staff.
8. Run a scalable multilingual helpline.
9. Run an adequately staffed research team to analysis data and enable a strong feedback loop to the regulators.

10. Implement a sound accountability, performance management and disclosure system.

The literature review showed that the financial ombudsmen in United Kingdom (UK) and Australia have made several efforts to ensure that their services are accessible to financial consumers of all types. They provide comprehensive information in an easy to understand format. They use multiple languages including sign language to reach out to the consumers. They allow consumers to send their complaints in multiple formats including mail, online, phone calls and Internet relay services. There is major emphasis on making the financial Ombudsman' website user friendly which includes making text readable and searchable. Some of initiatives are described below. The FRA should implement these best practices.

Box 8: *Improving awareness and accessibility through disclosures and publications*

Consumer factsheet: The UK-FOS brings out consumer factsheets on a range of subject areas and specialist topics. For example, a factsheet on the approach that UK-FOS takes to settling disputes between consumers and FSPs^a, a factsheet for consumers who have a complaint about a bank charge that has been applied to their current account^b.

Guides for businesses covered by the ombudsman: The UK-FOS publishes several guides to help FSPs to understand a range of technical issues, for example, case fees^c and how to calculate redress if UK-FOS upholds a mortgage endowment complaint^d.

Consumer leaflet: UK-FOS publishes a consumer leaflet online that gives an overview of the redress process. FSPs are required to give consumer leaflets to consumers at the relevant stage in the complaint process. The UK-FOS's website^e has a "read on screen version". In addition, there is also an easy read version with audio-clip of the consumer leaflet. Where appropriate, FSPs are required to give consumers an official print version of the leaflet. Consumers can get a printed version by calling UK-FOS. Australia-FOS published brochures for consumers that provides information on how disputes are resolved. In addition, Australia-FOS also published guides for consumer advocates and accountants to assist their clients with financial service disputes^f.

Newsletter: UK-FOS brings out a regular newsletter for people interested in financial complaints, and how to settle or prevent them^g. The newsletter contains:

- Case studies showing the problems that consumers bring to UK-FOS and how those problems are sorted out;
- Information about UK-FOS's approach to resolving complaints; and
- News and feedback from the ombudsman

Similarly, the Australia-FOS publishes "Practice Notes" which outline the Australia-FOS's approach to disputes. For example, the practice notes explain how the Australia-FOS deals with complaints under the Investments, Life insurance and Superannuation Terms of References (TORs), and the Financial Industry Complaints Service Rules^h.

^aFinancial Ombudsman Service, United Kingdom, *Consumer factsheet on how we deal with your complaint*.

^bFinancial Ombudsman Service, United Kingdom, *Consumer factsheet on current account charges*.

^cFinancial Ombudsman Service, United Kingdom, *A quick guide to funding and case fees*.

^dFinancial Ombudsman Service, United Kingdom, *A quick guide to calculating compensation for mis-sold mortgage endowments*.

^e<http://www.financial-ombudsman.org.uk/publications/consumer-leaflet.htm>

^f<http://fos.org.au/consumers/brochures/>

^g<http://www.financial-ombudsman.org.uk/publications/ombudsman-news/129/129.html>

^hFinancial Ombudsman Service, Australia, *Investments, Life Insurance & Superannuation Practice Note No. 2*.

Box 9: Operationally geared to be accessible

The UK-FOS and Australia-FOS have made several efforts to make their services accessible to their consumers. These include:

Providing multiple language options: Consumers of UK-FOS can file their complaints in 26 languages including submission of video complaints in British Sign language. UK-FOS is equipped with call centres that can provide interpreter services if consumers want to talk about their complaints in a language other than in English. Similarly, Australia-FOS provides a free translator to complainants if their first language is not English.

Receiving complaints in multiple formats: Consumers can file their complaints to UK-FOS in print, audio and video formats. In 2014-15, close to 52% consumers contacted UK-FOS on phone and 48% made written enquiries. In Australia, complaints can be filed over phone, email or post. Over 76% of the complaints in 2014-15 were lodged through the FOS website using the online dispute form. Complainants with hearing and speech disabilities can utilise voice text phones, internet relay to lodge complaints with Australia-FOS.

Making the website consumer friendly: The information on UK-FOS is available online on the UK-FOS website www.financial-ombudsman.org.uk. The website provides for adjusting text size for better visibility. In addition, the UK-FOS's website also has a speech browser which is helpful for visually impaired consumers who require website information to be read aloud to them. The Australia-FOS has a website www.fos.org.au which allows for increasing text size, forms with character recognition test and screen readers.

4.6. Proposed Complaint Handling Process

Figure 5 depicts a high level complaint handling process under the proposed FRA as envisaged by the Task Force. The organisational requirements to do this task well are discussed ahead.

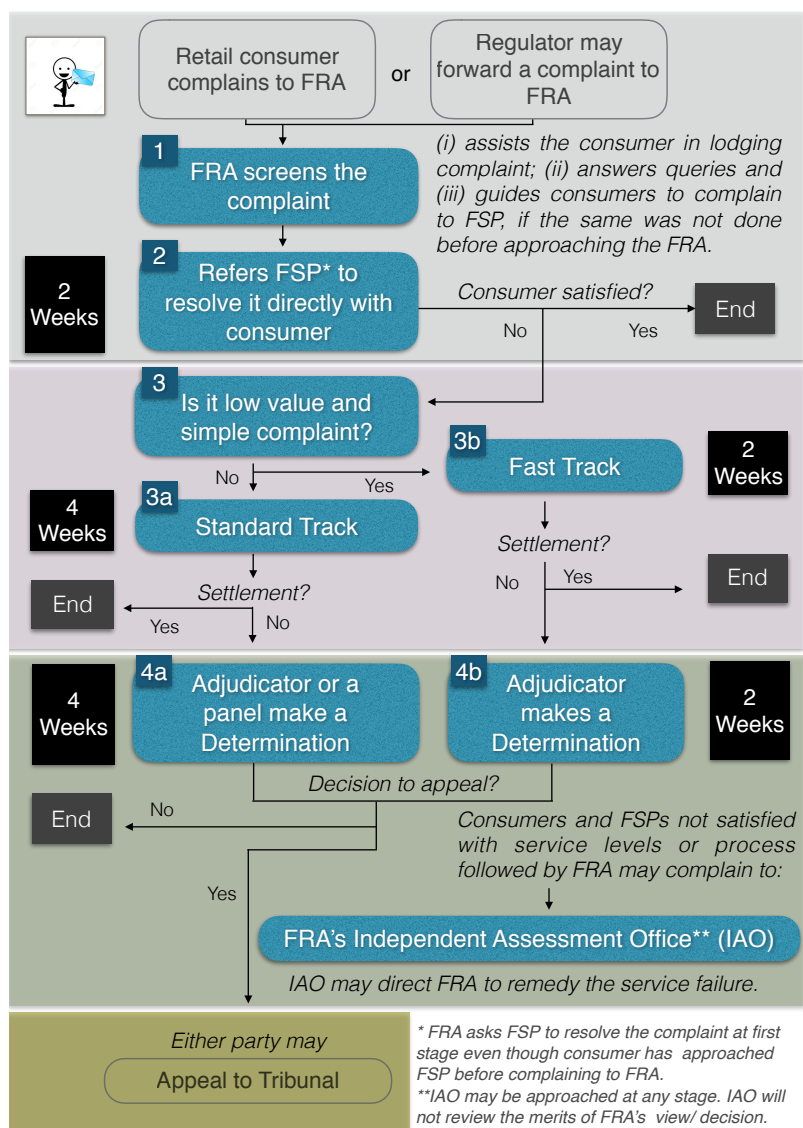


Figure 5: *FRA Redress Process*

4.7. Proposed FRA Regulatory Co-ordination Framework

There can be possible issues related to co-ordination between FRA and the regulators when the redress function for retail consumers is housed in FRA;

Figure 6 below depicts an operational co-ordination framework as envisaged by the Task Force to address the above concerns under the proposed FRA. The legislative framework as recommended in the *draft IFC 1.1* has been described in *FRA Regulation Making and Feedback Loop* as part of *Legislative Framework* section on *page 28*. The desired outcomes on co-ordination shall be best achieved by institutionalising the relevant processes with constant adherence to transparency and governance.

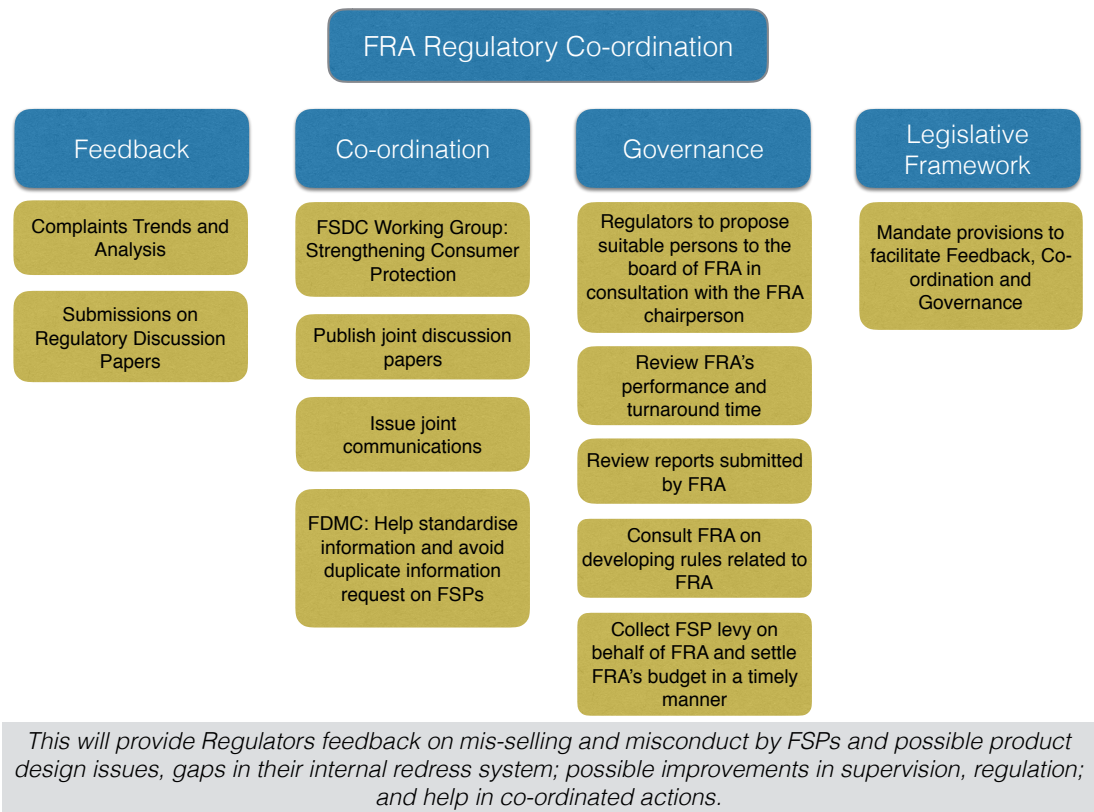


Figure 6: *FRA Regulatory Co-ordination Framework*

5. Organisation Design, Staffing and Infrastructure

Recommendation #3: *The mediators and adjudicators at FRA should focus on the task of providing independent redress to consumers. They should not be burdened with various support and management functions, which although integral to operating the FRA, are not part of their core functions.*

Recommendation #4: *Talented people who bring deep and diverse experiences, across the industry and from academics should be staffed at FRA. The teams should comprise of specialists representing the legal profession, customer groups, financial sectors, academia, and other relevant sectors. They would need to be able to appreciate pan India consumer behaviour across socio income profiles. FRA should harness the existing skills and experience of regulators in handling redress through suitable training programs as well as recruitment of experienced Ombudsman and case handlers.*

Timelines: The capacity proposed in this section should be achieved in one year from setting up of the shell FRA. Thereafter, it should scale up as needed with an aim to continuously provide a standard high quality service and turn around time. A high-level estimate of the infrastructure comprising head office space, helpline capacity and facilitation centres to enable consumers to access the FRA are is discussed ahead.

5.1. Organisation Structure and Staffing

Currently, most redress agencies (including courts) place the onerous task of managing the support functions to those who are tasked with the key function of providing redress. This has proved to be sub-optimal.

The support functions are key to enable the redress function to work effectively. Therefore, while those tasked with the core redress function should not be tasked with support functions, the FRA should be operationally independent. For example, RBI provides the Banking Ombudsman administrative support. This frees up the Ombudsman from support functions but makes it depend on the regulator for all support functions and infrastructure. This needs to be avoided.

The Task Force's recommended organisation design will allow FRA mediators and adjudicators to focus exclusively on its core function, namely providing redress in an independent manner. This will be done through a well functioning Board with specified members for specific tasks.

The financial regulators in consultation with the GOI should appoint the Board and it should have representation from the financial regulators at a non-executive level. It is recommended that the *Chairperson* of FRA be also consulted in case of appointment of executive members to the Board.

The mediators and adjudicators should be represented on the FRA Board through the *Chief Redress Officer*. Other executive Board positions include the *Chairperson* and the *Chief Strategic Officer*.

The *Chief Strategic Officer* should lead the efforts on outreach; research; MIS; and media relations. The qualitative handling of the complaint screening process, and allocation of complaints to the redress function, should be assigned to a *Chief Enquiry and Monitoring Officer*.

The *Chief Operating Office* should run the technology and manage the day-to-day operations of the helpline and the facilitation centres. The *Chief Finance and Legal Officer* and *Chief Human Resource Officer* should lead the remaining functions. The Section *Project Management, Transition and Go-live Plan* lists out the *Key positions to be recruited initially*.

It is recommended that the Board of the FRA should have a *Secretariat* to support governance and compliance. It should also have an *Independent Assessment Officer* supported by a small team to consider complaints against the FRA's redress function arising out of issues related to its standard of service. It is also recommended that FRA run an efficient process to manage vacancies and meet demand for additional mediators and adjudicators; this has traditionally been a cause for complaints piling up.

Figure 7 below outlines the proposed organisation structure for the FRA.

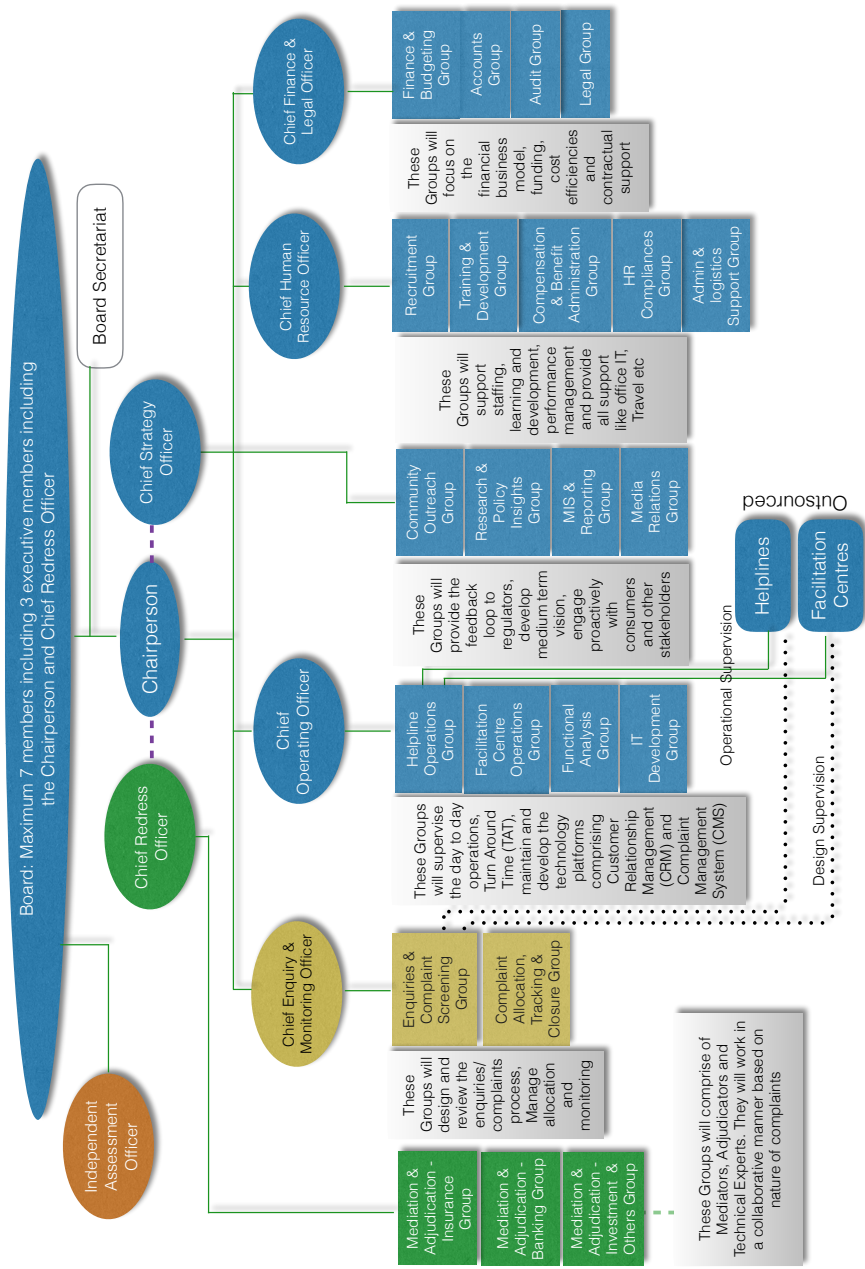


Figure 7: FRA Organisation Structure

Accurately estimating FRA's growth in workload is difficult. Similarly, redress related capacity requirements would depend on how effectively the regulatory framework prevents the need for a large-scale redress mechanism.

Table 2: Staffing design: Core functions and *Table 3: Staffing design: Support functions* detail the staffing requirement for FRA; some of the organisation support functions could be outsourced.

The GOI should expect the proposed capacity at FRA to grow by 20-50 per cent over five years. The Task Force has estimated capacity to grow by 30 per cent in Year 3 and thereafter by an additional 5 per cent in the fourth and fifth year. The initial FRA capacity is proposed based on current redress workload in banking, insurance, securities market and pensions. It is assumed that the consumer protection and regulatory framework envisaged in the IFC shall be implemented in a timely manner. This is an important assumption as, without this, FRA may face a much higher workload and consequently require a higher level of capacity.

The bulk of the FRA team that would deal directly with redress should comprise of about:

- 75 mediators and adjudicators;
- 350-400 technical support team members; and
- A multilingual helpline team of about 25-30 at the initial stage.

How does this compare with present capacity? Just RBI and the IRDAI Ombudsman put together deploy around 250 staff to deal exclusively with redress. RBI's BO has assigned a staff of approximately 150 officers (see trends in Graph: *Officers assigned by RBI for Banking Ombudsman scheme*) who are handling individual complaints from banking customers. These officers operate from 15 BO offices and handle over 85,000 complaints. The RBI ombudsman scheme does not run a dedicated helpline so that capacity is not included. General Body of Insurance Council (GBIC) has 17 Ombudsman centres covering the country. Together, these centres employ around 100 people²¹.

²¹Excluding the centres in Ahmedabad Chennai and Mumbai the remaining centres had 73 people in 2015

SEBI has around 150 officers directly handling complaints in SCORES in addition to their other designated duties. Further, more than 30 officers with the rank of DGM and above are assigned a supervisory role. SEBI has also engaged around 20 outsourced support staff across all offices for grievance redress. Complaints are handled from 20 offices located across the country. PFRDA has 24 people with the role of looking into consumer grievance handling, out of which 12 people are working for the call centre.

The number of complaints per officer at RBI has increased considerably over the past few years. In 2012-13, there were 449 complaints per officer, which increased to 459 in 2013-14 and 571 in 2014-15.

Importantly, RBI data²² suggests that the workload can vary significantly within the same redress forum. For example, the number of complaints per officer at Chandigarh Banking Ombudsman stood at 391 in 2014-15 while at Patna Banking Ombudsman, there were 1485 complaints per officer in the same period. Further, there are significant variations in workload per officer within the same centres. For example, Chandigarh handled 516 complaints per officer in 2012-13 as against 391 in 2014-15 and Patna dealt with 696 complaints per officer in 2012-13 as against 1485 in 2014-15. It is not obvious to what extent these variations affect complaint handling.

In the context of FRA, a key takeaway is the need to implement human resource processes that closely link workload and capacity planning. This should feed into the continuous capacity planning within each of the redress groups as well the overall redress capacity planning outlined in *Table 2: Staffing design: Core functions*. Some of the team members in the *Redress Group* shown in the *Table 2* might evolve into more specialised areas like annuities, pension and investment sub-groups (market return products and fixed return products). This should not result in teams working in silos. They should develop cross-functional understanding and bring that to the table in resolving disputes. Therefore, while the teams are shown under functional groups, they will work in combination based on nature of complaints. To illustrate, a complaint involving investment oriented insurance product would be handled by a team that will pull in members from *Investment* and *Insurance* groups.

The complaint data with the current redress forums comprising Ombudsman

²²Table 17: Complaints per Officer, CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2014-15*, Page 38.

Schemes and regulators is a rich source of information on nature of issues that result in dispute between consumers and FSP. The data related to the workflow of each complaint from its receipt to final disposal could be a rich source of information to understand points where there is a need to focus to improve speed and level of engagement in the process. It would be useful for FRA to access and study this information for designing its detailed processes as well as for training its teams. Data on main categories of complaints in the recent past are provided in *Sub-section: Main Categories of Complaints* on page 132 in *Annexure: Current Redress: Data and Practices*.

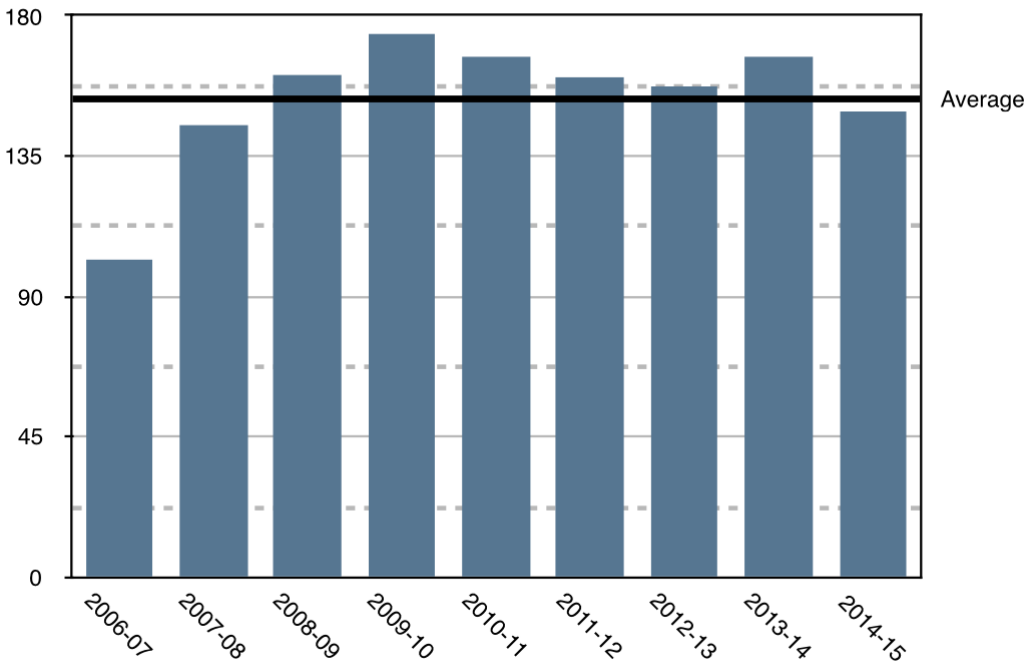


Figure 8: Officers assigned by RBI for Banking Ombudsman scheme

The proposed capacity is, however, small in comparison to the capacity deployed by redress agencies studied in the developed countries. UK’s FOS handled 18 lakh queries and resolved about 400,000 complaints in 2014-15. This is less than the existing workload in India; UK’s FOS employed 3,401 people as on March 2015. Australia’s FOS, which resolved less than a tenth of UK’s caseload

(about 35,000 complaints in 2014-15 and over 200,000 queries), employed 362 staff, equivalent of 288 full time staff.

Based on the experience in the initial years, the FRA might need to scale up more than what is being anticipated in this report. The proposed operating model should facilitate this.

Table 2: Staffing design: Core functions

Particular	Explanation	Span of Control*	No. of People		
Independent Assessment Office			6		
Independent Assessment Officer	May be approached by consumers, FSPs regarding standard of FRA service	5	1		
Technical support team			5		
Board Secretariat			3		
Company Secretary	Assist the Board with compliance and governance	2	1		
Board Technical Support Team			2		
Chairperson			5	1	
Redress Group			451		
Chief Redress Officer	One of the senior mediator/ adjudicator. Not a supervisor of Redress team.		1		
Insurance Group	Each position has a team of	5	25		
Banking & Credit Group	6 technical resources dynamically	5	25		
Investment & others Group	allocated for a specified duration.	5	25		
Redress: Technical support team	At a point in time, a technical resource will usually assist only one mediator/ adjudicator.		375		
Enquiry & Monitoring Group			7		
Chief Enquiry & Monitoring Officer	This position runs the quality and design aspect of FRA enquiry and complaint process	6	1		
Enquiries & Screening Group			Team		3
Allocation, Tracking & Closure Group			Team		3
Sub Total (A)					461
*Span of control refers to the number of subordinates a supervisor has.					

Table 3: Staffing design: Support functions

Particular	Explanation	Span of Control	No. of People
Strategy Group			21
Chief Strategy Officer		4	1
Community Outreach Group	Team lead & team	4	5
Research & Policy Insights Group	Team lead & team	6	7
MIS & Reporting Group	Team lead & team	4	5
Media Relations Group	Team lead & team	2	3
Operations Group			40
Chief Operating Officer	This position runs the entire IT based workflow related to enquiries and complaints and manages helpline and facilitation centre operations.	7	1
Helpline Operations Group	Team for supervising helpline & handling paper based complaints received directly at the HO. Team lead & team		15
Facilitation Centre Operations Group	This includes a team for supervising the facilitation centres and screening complaints received through these centres. Team lead & team		10
Functional Analysis Group	Team		4
IT Development Group	Team lead & team		10
Human Resource Group			21
Chief Human Resource Officer		8	1
Recruitment Group	Team		3
Training & Development Group	Team lead & team		5
Compensation & Benefits Administration Group	Team		2
HR Compliance Group	Team lead & team		2
Admin & Logistics Group	Team lead & team		8
Finance & Legal Group			15
Chief Finance & Legal officer		10	1
Finance & Budgeting Group	Team		3
Accounting Group	Team lead & team	7	5
Audit Group	Team		3
Legal Group	Team		3
Sub Total (B)			104

5.2. Office Infrastructure

Table 4: FRA head office space

Estimation of FRA head office space (in sq.ft.)					
Particulars			Staff	Area/ staff	Area
Carpet area required based on team seating requirement	(A) (Refer Table 5 & 6)		565	39454	
Space for meeting rooms, common facilities and lobby space	(B) = (A) x 30%	30%		21	11836
Net Capacity Carpet Area	(C) = (A) + (B)		91	51290	
Space for contingency/ near term growth	(D) = (C) x 15%	15%	85	91	7694
Total budgeted carpet area	(E) = (C) + (D)		650	91	58984
Loading for super area	(F) = (E) x 30%	30%		28	17695
Super built up area needed (rounded up to 3 digits)			119	77000	
*The breakup is detailed in the table - office lease estimate provided in the section on funding requirement and business model					

Table 5: Space Estimate: Core Staffing

Particular	No. of People (A)	Avg. area/ Unit (B)	Total Area (C)=(A)x(B)
Independent Assessment Office	6	78	470
Independent Assessment Officer	1	150	150
Technical support team	5	64	320
Board Secretariat	3	83	248
Company Secretary	1	120	120
Board Technical Support Team	2	64	128
Chairperson	1	1	150
Redress Group	451	70	31650
Chief Redress Officer	1	150	150
Insurance Group	25	100	2500
Banking & Credit Group	25	100	2500
Investment & others Group	25	100	2500
Redress: Technical support team	375	64	24000
Enquiry & Monitoring Group	7	72	504
Chief Enquiry & Monitoring Officer	1	120	120
Enquiries & Screening Group	3	64	192
Allocation, Tracking & Closure Group	3	64	192
Total	467	70	32872

Table 6: Space Estimate: Support Staffing

Particular	No. of People (A)	Avg. area/ Unit (B)	Total Area (C)=(A)x(B)
Strategy Group	21	67	1400
Chief Strategy Officer	1	120	120
Community Outreach Group	5	64	320
Research & Policy Insights Group	7	64	448
MIS & Reporting Group	5	64	320
Media Relations Group	3	64	192
Operations Group	40	65	2616
Chief Operating Officer	1	120	120
Helpline Operations Group	15	64	960
Facilitation Centre Operations Group	10	64	640
Functional Analysis Group	4	64	256
IT Development Group	10	64	640
Human Resource Group	21	67	1400
Chief Human Resource Officer	1	120	120
Recruitment Group	3	64	192
Training & Development Group	5	64	320
Compensation & Benefits Administration Group	2	64	128
HR Compliance Group	2	64	128
Admin & Logistics Group	8	64	512
Finance & Legal Group	15	68	1016
Chief Finance & Legal officer	1	120	120
Finance & Budgeting Group	3	64	192
Accounting Group	5	64	320
Audit Group	3	64	192
Legal Group	3	64	192
Total	97	66	6432

5.3. Consumer Helpline Infrastructure

RBI does not have a call centre, either for itself or for the BO scheme. SEBI, IRDAI and PFRDA have consumer helplines. As can be seen in *Table 30* in *Annexure F* on *Current Redress: Data and Practices*, the regulators receive over

500,000 calls per annum. The number could be substantially higher if there was dedicated helpline for banking. While these are mostly regarding problems customers face, a portion of them translate into entertainable complaints. The Task Force expects FRA to receive a significant share of these calls once it is operational. While the proportion of actual complaints might be low, this will help the FRA in understanding the concerns of the consumers and possible gaps in the regulatory framework. This knowledge will aid its core redress function and enable it provide a holistic feedback to the regulator.

The FRA should be adequately geared to receive consumer queries and complaints. *Table 7* outlines a few scenarios for the FRA in terms of call volumes.

Table 7: *Estimate: Consumer Helpline Call Volume*

Particulars	Year 1*		Year 2		Year 3	
	Annual Calls	Calls/ day	Annual Calls	Calls/ day	Annual Calls	Calls/ day
Assumption 1	300000	1000	45000000	1500	49500000	1650
Assumption 2	400000**	1333	60000000	2000	66000000	2200
Assumption 3	500000	1667	75000000	2500	82500000	2750

* Annual calls in first year are shown at full capacity to depict average maximum daily call volume. It is assumed that due to phased rollout the volumes would be about 60 % in the first year.

**The Assumption 2 is considered for computation of costs in the section on funding requirement and business model. Based on the proposed phased rollout, the call volumes could be about 240,000 in Y1 based on these assumptions.

Assumption 2 above has been taken for recommending the helpline infrastructure requirements in *Table 17* in the section 5 on *Organisation Design, Staffing and Infrastructure* on page 54.

Based on the above assumptions, *Table 8* outlines the requirement for agents and telecom lines for the consumer helpline. The requirements are derived from the *Erlang B* and *Erlang C* traffic models for estimating call centre volumes²³.

²³Overview of the models: <http://www.tarrani.net/linda/ErlangBandC.pdf>

Table 8: Consumer helpline agent and line capacity

Hour	Load distribution	Daily call volume based on Assumption 1			Daily call volume based on Assumption 2			Daily call volume based on Assumption 3		
		Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
9-10 am	12%	123	185	203	164	246	271	205	308	339
10-11 am	15%	152	228	251	203	304	335	254	380	418
11-12 pm	12%	123	185	203	164	246	271	205	308	339
12-1 pm	12%	123	185	203	164	246	271	205	308	339
1-2pm	12%	123	185	203	164	246	271	205	308	339
2-3pm	15%	152	228	251	203	304	335	254	380	418
3-4 pm	12%	123	185	203	164	246	271	205	308	339
4-5 pm	8%	80	120	132	106	159	175	133	199	219
	100%	1000	1500	1650	1333	2000	2200	1667	2500	2750
Average post call wrap up time*: 1 minute										
Maximum Agent required		14	20	21	20	28	30	30	36	39
Lines Required		17	22	24	22	30	33	33	38	41
Average post call wrap up time*: 2 minutes										
Maximum Agent required		23	32	35	29	42	46	35	51	56
Lines Required		22	30	33	28	38	41	33	45	49

*This is the time, in seconds, during which an agent is not available to answer a call after completing the last call. It is usually used to complete administrative tasks including ensuring complete data capture on the CRM and assignment of task for processing as per the workflow.

Capacity requirements can vary substantially based on the assumptions made. This can be seen above with two different scenarios for average wrap up time. The following assumptions are taken for showing the estimated helpline capacity that may be required by the FRA.

Table 9: Consumer helpline load assumptions

Helpline load assessment assumptions	
Increase in calls in Y2	50%
Increase in calls in Y3	10%
Working Days (6 days a week)	300
Working hours per day	8
Average call duration (seconds)	300
Distribution of calls during the day	Lognormal
Service level objective	80% calls answered in 20 seconds
Trunk blocking target	0.01

The trunk-blocking target refers to the grade of service target that is used when sizing the lines into the call centre. It is expressed as a fraction of the total calls that will be lost because insufficient lines have been provided. For example, 0.010 means that 1% of all calls would be blocked.

5.4. Consumer Facilitation Centre Infrastructure

Table 10 outlines the rollout and capacity of the proposed facilitation centres. This assumes one facilitation centre in each of the districts through out the country. It is expected that consumers in large cities should prefer accessing FRA using the Internet. Most consumers, on a pan India basis, should find the helpline a convenient access mechanism. The rollout of facilitation centre could be expedited if existing infrastructure like *common service centres* etc. can be harnessed for this purpose.

Table 10: FRA facilitation centre rollout

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
New centres	50	200	400	0	0
Cumulative centres	50	250	650	650	650
Average tenure of a new centre in its first year (months)	6	6	6		
Cost of new centres (Rs. crore)	1.99	8.61	18.61	-	-
Cost of existing centres (Rs. crore)	0	4.30	23.26	66.54	72.03
Total	1.99	12.91	41.88	66.54	72.03

6. Funding Requirement and Business Model

Recommendation #5: *In the first year the Task Force expects the FRA to scale up and reach full deployment in the second year of its operation. This should combine well with the proposed transition plan. The GOI should provision an overall budget of about Rs 90-100 crore to operationalise the FRA. A significant portion of this, about Rs 70-75 crore would be allocated for the first year operations after the shell entity is created (Recommendation #7) . In addition, there would be a capex on IT and technology. This would tend towards a lower amount in case the IT solution related to CRM and CMS is purchased on a transactional model and customised as against building the solutions from ground up. The specific costs towards this maybe estimated at an appropriate stage. The Task Force has considered a budget of Rs 10-15 crore for this. The cost of primary consultant is estimated at about 6.5-8.5 crore. It is assumed that the office premises would be taken on a lease basis.*

Recommendation #6: *The regulators in consultation with FRA should devise a model to levy fees onto the FSPs for funding the FRA. These levies should be collected by the regulators as part of its existing mechanisms on behalf of the FRA. The fee model should be a hybrid model comprising (i) a base flat fee, (ii) a variable fee based on the size of the entity and (iii) number of complaints against the entity and the stages at which the complaints are resolved. No fee should be charged to the consumer.*

The source of funding for FRA should be designed to ensure that (i) it does not compromise on its independence; (ii) it is proportionate to its workload and enables speedy and effective redress; and (iii) it does not create perverse incentives to adversely influence the consumer protection objectives.

The FSPs in India vary from large banks with large base of customers to niche banks with a small customer base. Similar heterogeneity exists in the securities, insurance and pension markets. Insurance industry has over 200,000 insurance agents who are mostly individuals. Therefore, a fee model will need to be designed in such a manner that it is equitable.

Globally the financial ombudsmen have developed two key types of funding models:

1. *Funding through levies of FSPs*: The UK-FOS is funded by a general levy and case fee on FSPs. FCA collects the levy at the time it collects its own regulatory fees. The levy ranges from Great British Pound (GBP) 100 to GBP 300,000 depending on the size of the regulated FSPs. For those FSPs that are not regulated, an individual case fee is imposed on them. The case fee of GBP 550 is charged for the 26th (and any subsequent) “chargeable” case.²⁴

The Australia-FOS is funded by its members or FSPs. The funding model consists of a base levy, a user charge and case fees.²⁵ Australia-FOS is partly financed through membership fees that accounts for 20 percent of the Australia-FOS’s funding. The remaining funding comes through case fees, that is, Australia-FOS charges the FSPs a fee based on the stage at which dispute is resolved.²⁶

2. *Funding through budgetary grant*: The funding for the Office of the S.Africa-FAIS comes partly from levies collected by Financial Services Board (FSB) and the case fees.²⁷ All FSPs authorised under Section 8 of *Financial Advisory and Intermediary Services Act, 2002* are subject to a maximum levy of R226, 132. The levy is calculated by a formula:²⁸

*Base amount of R835+(A*R318) where A = the total number of key individuals of the financial services provider approved by the relevant Registrar plus the total number of representatives appointed by the financial services provider, less key individuals that are also appointed as representatives, as at 31st August of the levy year.*

In addition, when the FO accepts a complaint, the FSP is required to pay a case fee not exceeding R1,000. This case fee is non-refundable irrespective of the outcome of the case.²⁹

²⁴Financial Ombudsman Service, United Kingdom, *A quick guide to funding and case fees*.

²⁵Financial Ombudsman Service, Australia, *Financial Ombudsman Service 2009-2010 Annual Review*.

²⁶See Chapter 7 of Economics Reference Committee, *Performance of the Australian Securities and Investments Commission*.

²⁷See page 64 of Office of the Ombud for Financial Service Providers, *Annual Report 2014/2015*.

²⁸Financial Services Board, *Levies on financial institutions*.

²⁹Republic of South Africa, *Financial Advisory and Intermediary Services Act, 2002*.

6.1. Business Model

During its deliberations, the Task Force discussed the possible cost implications in the context that FRA would be created afresh, while a certain level of redress capacity has already been created over the years within the regulators. It was felt that the FRA should leverage the existing experience and expertise through training its team and consider deploying staff from the above pool in its team.

The Task Force expects the proposed FRA to be largely cost neutral when seen in the context of existing annual expense incurred by regulators on the redress function. This has been discussed in *Five-Year Operational Budget*. The expected additional expenses over current cost would largely flow towards improved access, effectiveness and speed of redress to the retail consumers.

In terms of business model, the IFC has provided for a funding model where the regulators provide the annual financial requirements of the FRA. The FRA is also permitted to collect fees from the respondents and impose costs.

It would be efficient for the system to have the FRA costs recovered from the FSPs through the regulators. The regulators are already levying fees on the FSPs. *However, it would be sub-optimal for the FRA to entirely depend upon the regulators for budgetary support.* This might presents a risk, that the regulators may tweak their regulations to restrict grounds for redress in order to minimise the operational costs to be incurred on FRA. The consumers would benefit from having a system that permits as many grounds for redress as possible.

Therefore, the regulators in consultation with the FRA should devise the fee model. The budget related process should be codified with time limits and include:

1. FRA budget preparation,
2. Submission to the regulators,
3. Publication of the budget,
4. Publication of feedback from regulators, if any,
5. Sanction and release of the budget,

6. Publication of budget vs. actual and explanation for material differences, if any.

Based on the global best practices as outlined above, the FRA fee model may include a variable component based on complaints. A certain minimum number of complaints in a financial year may be exempt from the above criteria for each FSP. The fee model should be a hybrid model comprising (i) a base flat fee; (ii) an variable fee based on the size of the entity and (iii) number of complaints against the entity and the stages at which the complaints are resolved.

No fee should be charged to the consumer. However, it would be useful for the regulators and the FRA to develop a framework for imposing reasonable costs on complainants and FSPs to discourage frivolous complaints and consequential wastage of FRA's resources. It is important that the process for imposing costs and deciding its quantum is codified.

FRA should develop and implement a system of accounting to annually measure cost of:

1. Handling each complaint,
2. Handling complaint against each FSP,
3. Complaint handling per staff, and
4. Handling complaints in broad categories like mis-selling, unfair conduct, unfair contract terms and breach of privacy etc.

Use of technology and an integrated workflow should be used to largely automate this process once the design has been formalised. Similar cost analysis should be planned for measuring cost of handling consumer queries. It might be more challenging to financially measure the impact and effectiveness of its processes and activities, including outreach programs.

Managing shortfall and cash flows

There could be a shortfall on the funding requirement and the actual fees collected. The regulators should provide for this shortfall. This aligns with the

role of the regulator in devising the fee model and collection of fees.

The shortfall should be in proportion of complaints against FSPs regulated by the respective regulators and may take into account man months dedicated to the complaints. There could, however, be a situation where regulator(s) is/are unable to meet the shortfall in some exceptional circumstances. In such a scenario, the GOI should provide for the cash flow requirement in the form of grant or advance.

In case there is an excess of fees collected over the budgetary requirement, the same should be maintained in a separate account by the regulators. This may be used to meet shortfall in the future.

The budget should be released on an annual basis.

Release of initial budget

The initial budget of Rs 95-100 crore, including the operating cost of year 1 may be provided by the GOI.

In addition to the above, the GOI may also fund 50 per cent of the year 2 cost as the FRA would be in the transition phase to achieve complete coverage of the redress function for retail financial consumers. This is estimated at Rs 67 crore (half of Year 2 expense of Rs 133 crore as reflected in *Table: Estimate: Operational Budget*).

In this section, the Task Force has discussed estimates of the resources required to operationalise the FRA. These along with the underlying assumptions are provided below with a view to provide an input to the government to plan the financial outlay. It is suggested that the GOI use this estimate as guidance.

6.2. Five-Year Operational Budget

The Task Force is conscious of the fact that operational budget of a redress agency is a complex function of the scope of its redress mechanism, strength of consumer protection regulatory framework, number of intermediaries covered,

and the service level benchmarks and expectations. It also depends on the level of awareness amongst the financial consumers about the redress forum and its availability (resources devoted to awareness efforts) and accessibility (customer friendliness and capacity) amongst them.

The exact parameters on which such expenses depend are hard to determine precisely. To illustrate, the BO (which has 15 offices across the country and employs approximately 150 people) spends approximately double the money that the GBIC (which has 17 offices and employs approximately 100 people) spends on handling complaints from consumers. To add further, the BO handles over three times the number of complaints handled by the GBIC, while its capacity is about 1.5 times more. It would be simple to try to match capacity with number of complaints. However, such a matching would be incomplete without taking into view the complexity of underlying complaints and other qualitative factors.

As SEBI and PFRDA do not have separate redress functions, it is difficult to estimate the total redress related cost across banking, securities market, insurance and NPS. The data for BO and GBIC suggests an expenditure of Rs 62.41 crore in 2014-15 (See *Box 10: Current Expenditure on Redress*). Importantly, this had grown by 50% in two years from 2012-13.

Further, there can be considerable variation in the cost of handling complaints within a single system. For example, the average cost of handling complaint at the banking Ombudsman varied from Rs. 3,413 per complaint at Kanpur to Rs. 8,405 per complaint at Thiruvananthapuram³⁰. This is an outcome of volume of complaints, fixed cost of running an Ombudsman centre, operational capacity and cost etc.

Based on the available data it is difficult to estimate the cost of managing the redress across the four regulators. However, for the sake of extrapolation, one may consider the fact that complaints at SEBI are roughly half of complaints at banking Ombudsman and use that as a basis to estimate a lump-sum cost number. One would expect redress related costs to be relatively lower at PFRDA. This extrapolation ignores the expense on handling consumers who may not have a valid complaint. This is understood to be a significant number. This would also ignore other qualitative aspects as highlighted above. The

³⁰Table 19: OBO wise 'Per-Complaint Cost', CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2014-15*, Page 40.

current direct annual expense on redress across the four regulators, including the Ombudsman Schemes could be well over Rs 100 crore per annum.

Moreover, if one considers the fact that there is scope to improve access and coverage of current redress, for example, redress mechanisms which can adequately cater to low income workers who are now beginning to participate in banking, insurance and pension in much larger numbers, *the actual cost required by the current redress would be much higher*. Some of the gaps in the current redress that have a direct bearing on the cost aspects have been highlighted in the *Section: Operational Design*.

Table Estimate: Operational Budget depicts a high-level five-year financial operational budget for the FRA.

Table 12: *Estimate: Operational Budget*

Particular	Rs. Crore				
	Year 1	Year 2	Year 3	Year 4	Year 5
Staffing	44.0	79	109	123	138
Helpline (including related telecom)	0.5	0.9	1.3	1.4	1.5
Facilitation centres	2	13	40	62	66
Office, electricity and maintenance	21	28	28	31	31
Operational expenses	5	8	11	12	14
Outreach expenses	3	6	8	9	10
Total (rounded off)	75	133	197	237	260

The FRA is expected to continue expansion in the initial years. In year 5, the team could grow to size of over 800 with an annual budget of about Rs. 260 crore. If the capacity expansion is taken at 15 per cent instead of 30 per cent in the third year, the team size would grow to a lower number of about 700 and the budget in year 5 would be lower by about 8 per cent at Rs 240 crore.

Box 10: Current Expenditure on Redress

The current expenditure of RBI for BO scheme and handling NBFC related complaints along with GBIC's expense is highlighted below.

Table 11: Expense incurred by RBI and GBIC for handling complaints

	Rs. Crore			
Year	2011-12	2012-13	2013-14	2014-15
RBI (BO)	28.10 ^a	31.50 ^a	36.90 crores ^a	38.70 ^b
RBI (NBFC re- lated)	1.30 ^a	1.46 ^a	1.90 ^a	1.60 ^a
GBIC ^c	12.18	14.68	16.35	21.87
Total	41.77	47.85	55.38	62.41

RBI has estimated its average cost of handling a complaint at Rs. 4,541 for 2014-15 and at Rs. 4,824 and Rs. 4468 for 2013-14 and 2012-13 respectively. SEBI does not have a separate redress mechanism. Handling complaints forms part of the entire work portfolio of the officers at SEBI. Therefore, it is difficult to estimate the exact costs incurred by SEBI on grievance handling mechanism. As per information provided to the Task Force, its expenditure on media campaigns on topic of Investor Grievance Redress Management (IGRM) publicising SEBI's SCORES and Toll Free helpline stood at Rs. 15.95 crore. The human capacity at SEBI engaged in redress has been discussed in the Section: *Organisation Design, Staffing and Infrastructure*.

^aData as provided by RBI to the Task Force.

^bAs provided in CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2014-15*.

^cSource: Consolidated Annual Reports of GBIC

Box 11: Guide to the five-year numbers

The start of the first year of operations is assumed at a stage when the shell FRA is created and the initial key team is finalised.

Staff Cost: Full year cost of a fully deployed proposed staffing is about Rs 75 crore (Refer *Table:13 on Estimate: Staffing*). The five-year budget considers the first year expense as 60 per cent of full initial deployment due to the staggered hiring process ($\text{Rs } 75 \text{ crore} \times 60\% = \text{Rs } 44 \text{ crore}$). Sub-section: 6.3 *Staffing* has the details.

Office Cost: Similar to staffing, it is assumed that the office lease would be borne for less than 12 months in the first year. It is therefore taken at 21 crore in Year 1, 75% (*9 months*) of the full year cost of Rs 28 crore.

Helpline and Facilitation Centre Cost: The assumptions for helpline and facilitation centres are detailed out in *Table 17: Helpline cost estimate* and *Table 18: Facilitation centres estimate*.

Operational Expense: The operational expenses are assumed at 10% of the staffing expense. These are expected to cover cost of IT maintenance, office telecom, travel etc.

Outreach Expense: The outreach expenses cover awareness programs anchored at each of the facilitation centres and those been implemented centrally. The amounts are computed based on an annual budget of Rs 150,000 per facilitation centre and a lump-sum central budget.

A 30% increase in capacity on account of staffing, operational expenses and outreach expenses is assumed in Year 3 and thereafter a 5% increase is assumed in Year 4 and 5 respectively. This results in a total increase of about 43% in staffing and related capacity over 5 years. The capacity expansion in case of helpline and facilitation centres are shown in assumptions provided in the respective sub sections detailing these.

All costs other than office lease are inflation adjusted annually. Increase in lease is adjusted every three years. Inflation is taken at 7%. This is based on current trends.

The initial budgetary requirement of 90-100 crore can be broadly considered as follows:

1. First year operating cost: Rs 75 crore
2. Capex on office IT: Rs 2-2.5 crore
3. IT systems comprising CRM, CMS and FRA website (including app): 10-15 crore (*in case of upfront cost as compared to a transactional pricing model*).
4. Cost of Primary Consultant: Rs 6.5-8.5 crore

The outlay and operational expenses will change (i) if an office is purchased instead of the lease option. If the GOI considers the option to purchase a fully furnished office in BKC, Mumbai, this could require an additional initial outlay of Rs. 200-300 crore at market price^a. The annual operating cost, assuming a office rental yield of 10 per cent would reduce by Rs 20-30 crore in this option; and (ii) if the CRM and CMS solutions are customised based on available solutions and the pricing is transactional basis. In this case, capital outlay on technology will reduce and the cost would then be reflected in the operational outlay as an annual expense.

^aBased on quoted rentals for similar properties in BKC, Mumbai on real estate portals.

6.3. Staffing

Table 13 on Estimate: Staffing depicts the full year cost of staffing as per the organisation design. The five-year budget considers the first year expense as 60 per cent of full deployment due to the staggered hiring process.

The salary assumptions in the estimates in this section consider approximate market rates and salaries at regulators. For example, the CTC for junior officer (Grade A) at SEBI is about Rs. 12.13 lakhs pa or Rs 1 lakh pm. This is comparable to average salaries assumed for most of the FRA staff at Rs 0.79-1.29 lakhs pa.

Table 13: *Estimate: Staffing*

Particular	Units	Rs. Crore	
		Annual cost	% of total
Core functions	461	56.51	77.13%
Support functions	104	13.93	19.01%
Staff non-monetary benefits		2.83	3.86%
Total	565	73.27	100%

Core functions

Table 14: *Staffing estimate: Core functions*

Particular	Units	Rs. Lakhs				
		Avg. area	Total area	Avg. CTC	Total CTC	% of total
		sq.ft./unit	sq.ft.	pm	pa	
	A	B	C AxB	D	E AxDx12	
Independent Assessment Office	6	78	470	1.33	96	1.31%
Independent Assessment Officer	1	150	150	3.00	36	
Technical support team	5	64	320	1.00	60	
Board Secretariat	3	83	248	3.5	41	0.57%
Company Secretary	1	120	120	2.5	21	
Board Technical Support Team	2	64	128	1.00	20	
Chairperson	1	150	150	5.00	60	0.82%
Redress Group	451	70	31650	1.01	5454	74.55%
Chief Redress Officer	1	150	150	4.50	54	
Insurance Group	25	100	2500	1.75	525	
Banking & Credit Group	25	100	2500	1.75	525	
Investment & others Group	25	100	2500	1.75	525	
Redress: Technical support team	375	64	24000	0.85	3825	
Enquiry & Monitoring Group	7	72	504	1.29	108	1.47%
Chief Enquiry & Monitoring Officer	1	120	120	3.00	36	
Enquiries & Screening Group	3	64	192	1.00	36	
Allocation, Tracking & Closure Group	3	64	192	1.00	36	
Sub Total (A)	461		32518		5651	77.13%

Support functions

Table 15: *Staffing estimate: Support functions*

Particular	Units	Rs. Lakhs				
		Avg. area	Total area	Avg. CTC	Total CTC	% of total
		sq.ft./unit	sq.ft.	pm	pa	
		A	B	C	D	
			AxB		AxDx12	
Strategy Group	21	67	1400	1.27	321	4.38%
Chief Strategy Officer	1	120	120	3.00	36	
Community Outreach Group	5	64	320	1.25	75	
Research & Policy Insights Group	7	64	448	1.25	105	
MIS & Reporting Group	5	64	320	1.00	60	
Media Relations Group	3	64	192	1.25	45	
Operations Group	40	65	2616	1.14	546	7.45%
Chief Operating Officer	1	120	120	3.00	36	
Helpline Operations Group	15	64	960	1.00	180	
Facilitation Centre Operations Group	10	64	640	1.00	120	
Functional Analysis Group	4	64	256	1.25	60	
IT Development Group	10	64	640	1.25	150	
Human Resource Group	21	67	1400	0.79	199	2.72%
Chief Human Resource Officer	1	120	120	3.00	36	
Recruitment Group	3	64	192	0.80	29	
Training & Development Group	5	64	320	0.80	48	
Compensation & Benefits	2	64	128	0.80	19	
Administration Group	2	64	128	0.80	19	
HR Compliance Group	2	64	128	0.80	19	
Admin & Logistics Group	8	64	512	0.50	48	
Finance & Legal Group	15	68	1016	1.22	219	2.99%
Chief Finance & Legal officer	1	120	120	3.00	36	
Finance & Budgeting Group	3	64	192	1.50	54	
Accounting Group	5	64	320	0.80	48	
Audit Group	3	64	192	1.00	36	
Legal Group	3	64	192	1.25	45	
Sub Total (B)	104		6936		1393	19.01%

6.4. Office

Table 16 below depicts the lease cost of a Grade A office in Mumbai. The area is based on the proposed staffing with headroom for near future growth. FRA may negotiate an option to lease additional space in future based on its growth.

It is advisable to rent the office space with an option (if possible) to lease additional space in the same premises at a future date. *Table 4* outlines the head office space estimate for FRA.

The task force has considered the fact that FRA would benefit from owning the head office premises and providing a permanent location as its base to all stakeholders, including retail consumers.

The key benefits of leasing the office over the purchase option flow from the thinking that:

- Changes in office related technology over a cycle of about five to seven years suggests that upgrade of existing infrastructure or shift to a premises equipped with the latest facilities results in efficiency gains and improved productivity; and
- Renting places a major cost head explicitly on the annual budget, making the agency more conscious.

On a cost basis, commercial rental yields are expected at about 8-10% of the purchase value. If an alternate use of the funds generates significantly higher returns then it is advisable to rent instead of locking in the funds in purchase of the property.

The option to purchase might be favourable if the land is available or can be procured by the GOI at a significant discount to the market value. This would reduce the explicit cost. It must however be noted that the underlying subsidy would nevertheless be a cost.

Table 16: Office lease estimate

Annual lease cost of fully furnished with power and maintenance (Rs.)		26 crore	(71000 x 300 x 12)	
Estimation of area of lease of Commercial office space (in sq.ft.)				
Particulars		Staff	Area/ staff	Area
Carpet area required based on team seating requirement	(A) (refer staffing table)			39454
Space for meeting rooms, common facilities and lobby space	(B) = (A) x 30%	30%	21	11836
Net Capacity Carpet Area	(C) = (A) + (B)		91	51290
Space for contingency/ near term growth	(D) = (C) x 15%	15%	85	7694
Total budgeted carpet area	(E) = (C) + (D)	650	91	58984
Loading for super area	(F) = (E) x 30%	30%	28	17695
Super built up area needed (rounded up to 3 digits)			119	77000
Estimation of cost for lease of Commercial office space (Rs./ per sq.ft.)				
Rental market rate for unfurnished commercial office space				180-280
Average rate				230
Monthly cost of fit outs (Rs 2500-3500 per sq.ft. amortised over 5 years)				50
Average total monthly rent for fully furnished office				280
Estimated cost of maintenance and power (Rs. 15-20 per sq.ft.)				20
Total cost per sq. ft.				300
Fit-outs include: civil work, carpentry, modular furniture, electrical, networking, lighting, fire fighting, etc. Maintenance includes security, cleaning of commons areas, waste management, lift maintenance, central air conditioning costs with power back-up and maintenance The capacity expansion in the operational budget estimate is taken at 30%. While 15% scope for office expansion is accounted above, it is suggested that for the remaining 15%, FRA may negotiate an option to lease the space later based on actual requirement. The impact of cost has been accordingly considered.				

6.5. Helpline

Table 17 depicts the expected cost of operating multilingual helpline.

Table 17: *Helpline cost estimate*

Annual cost of helpline: staffing and telecom (Rs crore)			
Particulars	Year 1*	Year 2	Year 3
Assumption 1	0.342	0.83	0.88
Assumption 2	0.48	1.14	1.23
Assumption 3	0.69	1.46	1.58

Annual staffing cost of helpline (Rs crore)			
Call centre cost/ seat/ month (Rs.):			25000
Particulars	Year 1*	Year 2	Year 3
Assumption 1	0.25	0.60	0.63
Assumption 2	0.36	0.84	0.90
Assumption 3	0.54	1.08	1.17

Annual telecom cost of helpline (Rs crore)			
Telecom costs (Rs per minute)			1.0
Duration of average call (minutes)			5.0
Particulars	Year 1*	Year 2	Year 3
Assumption 1	0.09	0.23	0.25
Assumption 2	0.12	0.30	0.33
Assumption 3	0.15	0.38	0.41

* Taken at 60% of first year full capacity

Assumption 2 is considered for computation of costs. SEBI pays its helpline call centre located near Mumbai Rs. 20,000 per seat/ per month. The cost is taken at Rs 25,000 in the above analysis. The capacity is detailed out in the section detailing *Organisation Design, staffing and infrastructure*.

6.6. Facilitation Centres

Table 18 depicts the rollout of facilitation centres and related budgets.

Table 18: *Facilitation centres estimate*

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
New centres	50	200	400	-	-
Cumulative centres	50	250	650	650	650
Average tenure of a new centre in its first year (months)	6	6	6		
Cost of new centres (Rs. crore)	1.99	8.42	17.79	-	-
Cost of existing centres (Rs. crore)	-	4.21	22.23	61.98	65.52
Total (rounded off) (Rs. crore)	2	13	40	62	66

Cost of Urban Centre	Unit	Average rate (Rs.)	Monthly cost (Rs.)	Annual cost (Rs.)
Staff	2	20,000	40,000	480,000
Space (sq. ft.)	150	125	18,750	225,000
Operating expense	1	25,000	25,000	300,000
Total			83,750	10,05,000

Cost of Rural Centre	Unit	Average rate (Rs.)	Monthly cost (Rs.)	Annual cost (Rs.)
Staff	2	15,000	30,000	360,000
Space (sq. ft.)	150	75	11,250	135,000
Operating expense	1	17,500	17,500	210,000
Total			58,750	705,000

Particulars	Units	Annual cost per unit (Rs.)	Total annual cost (Rs. Crore)
Urban facilitation centres	200	10,05,000	20.1
Rural facilitation centres	450	7,05,000	31.73
Total	650		51.82
Average annual cost per centre		7,97,308	

7. Implementation Steps

7.1. Project Management, Transition and Go-live Plan

Recommendation #7: *The GOI may initiate the following steps immediately:*

1. *Setting up of shell FRA through an executive order to empower it to procure, enter into contracts, build physical infrastructure, hire staff and consultants, receive funds and make expenditure.. Recruiting its Chairperson along with a few of the other leadership roles including the COO. Making the requisite budgets available.*
2. *Procurement of Primary Consultant to assist scale the shell FRA to a fully functional redress agency.*
3. *Enabling a statutory FRA with all the requisite powers to discharge its redress function.*

Recommendation #8: *The FRA scale up should get the benefit of relevant international consulting expertise. This maybe achieved through specification for international expertise in the Consulting team, as proposed in the Consultant team profile outlined in this report. In addition, it is suggested that Technical Collaboration be explored with UK's FOS and/or Australia's FOS, both of which are among the best sector neutral financial sector redress agencies in the world. This will bring in operational insights relevant for a modern redress system and supplement the expertise already built around the Indian context. This should result in an International Technical Team that would help guide the operationalisation and initial scale up.*

Recommendation #9: *Once the shell FRA and the Primary Consultant is in place, the GOI may plan for the FRA to go live in 12 months. The GOI, during this period, may enable a statutory FRA with all the requisite powers to discharge its redress function.*

Recommendation #10: *The following transition plan should be implemented:*

1. *Phase I: Empower the FRA to redress complaints regarding insurance and pension that are currently being handled by IRDAI, insurance Ombudsman and PFRDA. The preparatory work for this should begin once the shell FRA is established. This process may be completed within three months of go-live of the statutory FRA.*
2. *Phase II: Empower FRA to redress complaints by retail consumers against FSPs regulated by SEBI as well as retail complaints that are at present taken up by*

RBI and banking Ombudsman. This process may be completed within one year of go-live of statutory FRA.

3. *Phase III: FRA should cover all regulated/ registered FSPs, for example NBFCs, who are today not covered adequately under existing redress mechanisms. This process may be completed by the end of year two.*

The figure 9 below provides a snapshot of the project deliverables and stakeholders in its management.

Stakeholders	PMU (FRA, MoF, Task Force, NIPFP, International Technical Partner) and Consultant
Phase	Phase I - Design
Deliverables	Inception Report, OD and HR Design, Business Strategy and Processes (BCP, Financial Control, Accountability, Reporting, Transition, Rules), IT Design, Business Model, Physical Infrastructure requirement, Procurement - IT Vendor, DPR
Weeks (T+)	5 months/ 22 Weeks
Phase	Phase II - Implementation
Deliverables	Procurement - Physical infrastructure, Recruitment & Induction, IT development and Testing, User Manuals
Weeks (T+)	12 months/ 52 Weeks
Phase	Phase III - Project Stabilisation
Deliverables	Go-Live, Process Fine-tuning, IT Management
Weeks (T+)	18 months/ 78 Weeks

Figure 9: *Overview: Deliverables and Project Management Entities*

Phase I of transition comprises of coverage complaints which today are taken up by the insurance Ombudsman based system as it is relatively closer to the concept of FRA. PFRDA, the youngest regulator, which has not yet operationalised its proposed ombudsman scheme, should also offer services of FRA to its consumers in this phase. IRDAI also deals with individual insurance complaints. These should also be covered by FRA in Phase 1.

RBI too runs an Ombudsman scheme. Therefore, it is possible to pick banking or insurance for Phase I. However, since banking is the major channel of distributor of insurance and other investment products, it might be useful to sequence this along with the coverage of retail complaints by SEBI (which does not run an Ombudsman scheme) in Phase II.

The transition may be achieved by considering option of experienced Ombudsman and case handlers as well as staff handling redress at regulators joining the FRA team. This would also ensure that FRA benefits from their past experience.

Key positions to be recruited initially

The following positions should be recruited immediately as part of the shell FRA:

1. *Chairperson* - This position runs the role of the Chief Executive Officer (CEO) and is the chair of the FRA Board.
2. *COO* - This position runs the entire IT based workflow related to enquiries and complaints. It manages helpline and facilitation centre operations.
3. *Chief Enquiry & Monitoring Officer* - This position runs the quality and design aspect of FRA enquiry and complaint process.
4. *Chief Strategy Officer* - This position is responsible for managing FRA's outreach program, research & policy, MIS and media relations. This position is represented on the FRA Board.
5. *Chief Human Resource Officer*
6. *Chief Finance and Legal Officer*

Governance structure

The GOI and the shell FRA team will need to lead the operationalisation and scale up of the redress agency.

The governance structure specified in this section is expected to provide effective project management to achieve a stabilised go-live status. The selected Primary Consultant is expected to ensure the completeness and quality of the deliverables. The under mentioned structure, process and terms will be applicable for all deliverables.

1. Governing Body

- Consists of representatives from MoF, Consultant, Task Force, FRA and NIPFP.
- Meeting every 2 months.

2. Steering committee

- Consists of representatives from Consultant, Task Force, FRA and NIPFP.
- Meeting every month.

3. Project Management Unit

- Consists of representatives from Consultant, FRA and NIPFP.
- Meeting every 2 weeks.

Note: Consultant to be provided workspace and Task Force & NIPFP to monitor progress. In addition, Technical Collaboration with UK FOS and/ or Australia FOS should be used to bring in international operational experience to improve project outcomes.

Working process

1. FRA would be the client and will approve release of all payments;
2. The Consultant should discuss with the MoF the process for developing each deliverable and understand the requirements for the same. This must be done as soon as possible after the award of the Contract to the Consultant, but before the submission of the relevant deliverable;
3. **Each of the deliverable must be presented to the Project Management Committee (PMC), substantiated with a presentation supported with cost benefit analysis of alternatives, global best practices and gap analysis, as applicable.** The draft report should be simultaneously submitted in hard copy and soft copy to the MoF;
4. All draft versions of deliverables should also include: a listing and explanation of alternatives, if any that may be available, and an explanation of why the Consultant proposes to follow one particular alternative;
5. The observations by the MoF should be documented for incorporation. These observations should be sent to the MoF within 24 hours of the meetings for review;
6. The revised deliverable should be submitted to the MoF and substantiated with a presentation; the supporting details must be documented. The deliverable should also carry the history for version and change upgrades, along with quality reviews.
7. Formal communication should accompany the deliverable indicating the delivery timeline as per Contract.
8. The Consultant would have the obligation to give prior notice of all proposed meetings related to all deliverables and drafts to the MoF. Prior notice of at least 48 hours should be provided, save in exceptional circumstances.

In the case of Request For Proposal (RFP)s as a deliverable, in addition to the above process, the following should also be performed:

1. Due governance towards preparing reports addressing technical eligibility as also other deliverables related to bid evaluation.
2. The deliverable in the pre-RFP stage must demonstrate the acceptance criteria of all the IT components, implementation and Service Level Agreement (SLA) for high performance and availability.
3. Penalties on non-compliance of SLAs, their grading along with mode of measurement.
4. Methodology for smooth implementation and transitioning.

Work of Primary Consultant

The Consultant is expected to have studied the FSLRC report and the draft IFC in detail. The Vision document of the Task Force would be guide the operationalisation and be made available to the Consultant.

The implementation work is expected to be completed within one year followed by twelve month of handholding support (Refer *Figure 10* below).

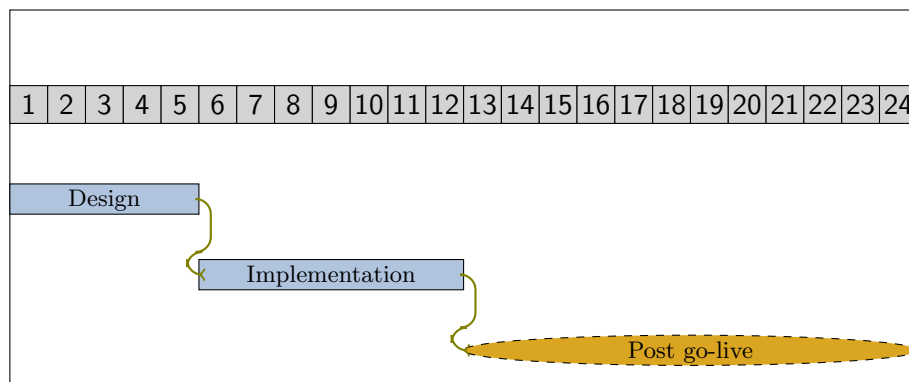


Figure 10: *Month-wise plan*

Phase I

The Consultant shall submit a project inception report on award of contract. The work of the Consultant will be reviewed and supervised by a PMC. The Consultant shall recommend:

1. Organisation design and human resource plan;
2. Business strategies and solutions including transition plan from current redress mechanisms in the financial sector to a FRA, draft all processes, rules and bye-laws;
3. IT strategy and solution specifications covering end to end workflow of the FRA, bid documents for procurement/ development of IT solution.
4. Detailed Project Report (DPR), which will provide implementation plan to operationalising the FRA.

In this phase, the Consultant shall also assist the process of selection of the IT vendor/solution through a formal bid acquisition process (as per GOI rules).

Phase II

The Consultant shall provide project management services for operationalisation of the FRA including tasks detailed in the DPR. This shall include:

1. Monitoring and managing the development of IT solutions,
2. Recruitment and training,
3. Physical infrastructure, and
4. Finalisation of policies and user manuals for each of the functions.

The Consultant team in this phase would be essentially drawn from the team deployed in design phase.

Phase III

In the third phase, post Go-Live, support shall be provided by the Consultant towards stabilising the project outcomes. This will also include fine-tuning of IT systems, operational processes and policies and user manuals. A limited team is envisaged to provide operational support.

Detailed scope of deliverables from the Primary Consultant are provided in *Primary consultant: Deliverables and Schedule* on page 158 in Annexure G.

Key contract terms

1. The Consultant should be required to specify staff exclusively for the project.
2. Provide signed declaration from CEO (or equivalent) of Consultant on availability of resources for duration of the assignment.
3. Scoring criteria on number of days each Consultant is available should be applied in project monitoring and should be tied to payment/ penalties.
4. Penalties should be imposed for replacement of named resources.
5. Earnest Money Deposit requirement maybe specified at Rs. 10 lakhs
6. Performance guarantee requirement - **10 percent** of contract value. This may be required to be provided as a bank guarantee.
7. Consultant should be required to submit separate costing for each project phase.
8. The Project work/duration estimated is for 24 months. This period might be spread over 30 months.
9. The costs submitted should not be liable for escalation until 30 months from the date of award of the contract.

10. Deliverable plus team based payments:

- a) **Governing body** should approve every deliverable before payment.
- b) Payment - 10% at the total contract payment may be released as final payment once all the deliverables have been satisfactorily completed and MoF has approved the same.

The Consultant would be expected to provide expert services to assist the GOI in the process of actual setup and operationalisation of the FRA and provide project management support during the initial go-live phase. The key tasks under the project should include:

- 1. Organisation design and human resource planning.
- 2. Design, development and operationalisation of key IT systems.
- 3. Design and development of key strategies, processes and user manuals.
- 4. Office procurement and setup.
- 5. Manpower recruitment.
- 6. Go-live and handholding support.

FRA Go-live Schedule and Timelines

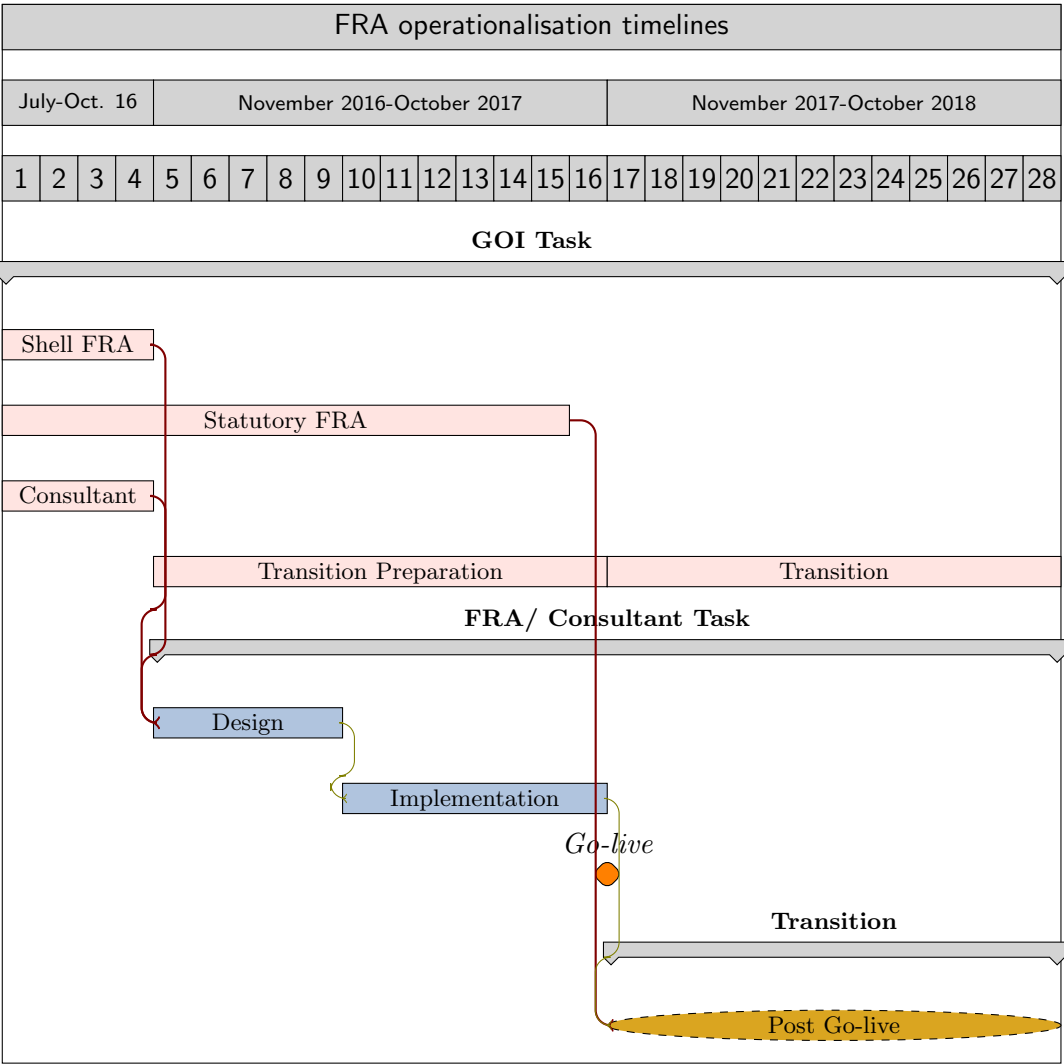


Figure 11: Work plan overview

7.2. Consultant Team Requirement

Primary Consultant and technical collaboration

FRA is a new agency and has been envisaged based on global best practices and Indian requirements. In the opinion of the Task Force, relevant consulting expertise in India to operationalise this might be a little limited. However, consulting expertise would be available on core aspects of project management and agency implementation including functions which are important for FRA, namely, CRM and CMS.

In this context, it is suggested that the proposed FRA should get the benefit of relevant international consulting expertise.

This maybe achieved through specification for international expertise in the Consulting team, as proposed in the Consultant team profile outlined in this report.

In addition, it is suggested that Technical Collaboration be explored with UK's FOS and/or Australia's FOS, both of which are among the best sector neutral financial sector redress agencies in the world. This will bring in operational insights relevant for a modern redress system and supplement the expertise already built around the Indian context

This should result in an International Technical Team, which would help guide the project and participate in key meetings.

The GOI had earlier set up Task Forces to help operationalise Financial Data Management Centre (FDMC), Public Debt Management Agency (PDMA), Resolution Corporation (RC) and FSAT. These Task Forces had collectively called for Request For Information (RFI)s from Consultants in January 2015.

The five agencies that responded based on high level work outline and the eligibility conditions are given below. Larger number of firms might respond for a project that is specific for FRA unlike the above request that required work on four agencies.

1. E&Y

2. KPMG
3. Oliver Wyman
4. McKinsey
5. PWC

The basic eligibility conditions are relevant for FRA work also and are specified below:

1. The management-consulting firm is validly incorporated as a company, partnership or limited liability partnership under applicable Indian laws.
2. The management consulting firm has an average annual turnover of at least Rs 30 crore over the last 3 financial years.
3. The management consulting firm has executed at least 2 projects in the last 3 years. The value of such projects must be of at least Rs. 5 crore each, without considering the supply of information technology systems and hardware. Such projects must have required the management-consulting firm to be engaged in capacity building, designing an organisation structure, framing of human resource policies, and drafting specifications of information technology systems. Interested firms are required to provide details of such projects as mentioned above.

Key professional staff

The team deployed for this Project will need to consist of domain and functional experts for satisfactory design and implementation of the designated deliverables as mentioned in the scope of work.

Each functional team is expected to be led by a senior member, herein termed *Key Professional Staff* who will be duly supported by other functional/ domain team members as may be estimated and factored by the Consultant. Such team members are expected to be duly qualified and experienced for working on the deliverables.

The Consultant is expected to plan for optimal deployment of skilled resources for different phases of the Project. Part allocation can be considered for the team members. This should be clearly mentioned along with the duration of the proposed deployment.

Some of these members are expected to work on full time basis through the lifecycle of the Project and which is enumerated in this section. All team members, as may be provisioned/ allocated by the Consultant are expected to work from the Client's office.

In view of the complexity and knowledge acquisition being utilised throughout the phases, continuity of team members will require to be maintained. Any change will need to be ratified by the client for any on-boarding of members at any stage of the Project.

The Consultant is free to add more *Key Professional Staff* along with a clear justification for the same.

The consultant resources will be required to work onsite at the FRA premises or as maybe required by the project. The Consultant firm shall take the complete responsibility to bring in other resources (not mentioned below) as and when required to execute this consultancy assignment.

Profiles of the key professional staff

S- 1 Project Director

- i *Onsite deployment*: 50% during Phase-I and Phase II.
- ii *Role and Responsibility*: Will provide expert services and be responsible for overall delivery of the project as per the TOR.
- iii *Experience*: Strong on technology, experience of large retail CRM, CMS, workflow implementation/ management, government projects, relevant international experience, preferably in UK/ Australia or any other member countries of Organisation for Economic Co-operation and Development (OECD). Must have independently led and executed projects of similar or larger size. Minimum 10 years of

demonstrable relevant experience in consulting industry and 20 years of overall work experience. Should have managed management consulting/IT consulting projects in the capacity of Program/Project Director/ Program Manager. Should have led a team of more than 15 people in projects. Experience in design of technology based dispute resolution processes/ systems is desirable.

iv *Qualification*: MBA or PGDM

S- 2 Program Manager

- i *Onsite deployment*: 100% during Phase-I and II.
- ii *Role and Responsibility*: Will provide expert services and ensure timely and high quality project deliverables. Act as single point of contact for review meetings with Client, be responsible for allocating resources, forecasting and demand management of services for the Client. Shall be the Quality Assurance lead for all services delivered by the Consultant to the Client and participate in all fortnightly/monthly project meetings and project review meetings.
- iii *Experience*: Strong on technology, experience of large retail CRM, workflow implementation/ management, government projects as well as private sector projects. Must have independently led and executed projects of similar or larger size. Should have managed management consulting/Information Technology (IT) projects in the capacity of Program Manager. Should have minimum 8 years of demonstrable relevant experience in IT consulting and/ or IT development and 15 years of total experience. Relevant international experience, preferably in member countries of OECD; experience in financial services desirable. Experience in design of technology based dispute resolution processes/ systems is desirable.

iv *Qualification*: MBA or PGDM

S- 3 Organisational Development (OD), Human Resource (HR) Expert

- i *Onsite deployment*: 50% during Phase-I and Phase II.

- ii *Role and Responsibility:* The OD,HR Expert shall ensure FRA organisation is designed, staffed and trained as per the TOR in a timely manner.
- iii *Experience:* Must have independently led and executed similar or larger organisation design and HR projects. Should have been involved in at least two large projects developing OD/HR systems. Should have done OD and HR design for client with large technology based CRM, CMS functions. Relevant international experience, preferably in member countries of OECD and/or experience in building OD,HR systems for regulatory bodies in India would be desirable. Experience in design of technology based dispute resolution processes/ systems is desirable. Should have a minimum 12 years of relevant demonstrable experience in OD/HR consulting and 20 years of total work experience.
- iv *Qualification:* MBA with specialisation in OD/HR

S- 4 IT Solution Architect

- i *Onsite deployment:* 50% during Phase-I and Phase II.
- ii *Role and Responsibility:* The IT solutions Architect will be responsible for design of IT solution and specifying requirements in sufficient details to enable an IT vendor to develop/ provide the IT solution as per the TOR. This position shall be responsible for monitoring the development, testing, handover of the IT solutions to the FRA and ensuring successful go-live of the systems.
- iii *Experience:* Strong on workflow design, IT design and implementation, CRM, CMS, knowledge management systems, open source technologies. Relevant international experience, preferably in preferably in UK/ Australia or any other member countries of OECD would be desirable. Experience in design of technology based dispute resolution processes/ systems is desirable. Relevant project management experience with *Salesforce* would be an added advantage. Minimum 12 years of relevant demonstrable work experience and 18 years of total experience.

- iv *Qualification:* Graduate in Computer Science/ B.Tech/BE/MCA. TOGAF 9 Certified Enterprise Architect.

S- 5 Database Designer/ Architect

- i *Onsite deployment:* 50% during Phase-I and Phase II.
- ii *Role and Responsibility:* Will provide expert services and assist the IT Solution Architect. Will be responsible for database design specification and review of the database design implementation.
- iii *Experience:* Experience in designing/ databases involving retail CMS and/or CMS. Experience on multiple platforms is essential. Experience in design of technology based retail dispute resolution processes/ systems is desirable. Minimum 8 years of relevant demonstrable work experience and 12 years total experience.

S- 6 Information Security Expert

- i *Onsite deployment:* 25% during Phase-I and II.
- ii *Role and Responsibility:* Will provide expert services and assist the IT Solution Architect. Will be responsible for information security designs for all IT systems, preparing and implementation of Business Continuity Planning (BCP)/ Disaster Recovery related deliverables and Go-Live Security Audit.
- iii *Experience:* Experience in designing security systems in financial services sector involving large retail CMS, consumer data and CMS. Minimum 8 years of demonstrable relevant work experience and 12 years total experience.
- iv *Qualification:* B.Tech/BE/MCA

S- 7 Business / Functional Analyst

- i *Onsite deployment:* 50% during Phase-I and Phase II.
- ii *Role and Responsibility:* The Business / Functional Analyst will

provide expert services and assist the IT Solution Architect. This position will ensure timely and high quality solution requirement specifications, run tests to ensure systems meet specifications and are high on usability. Ensure IT user manuals and other documentations meet the requirements and the FRA teams are trained on the IT solutions.

- iii *Experience*: Functional experience in designing/ building services involving retail CMS and CMS. Experience should include solutions involving online platforms, Interactive Voice Response (IVR) and telephone based systems, kiosk based services, self-service systems and social media. Experience in design of technology based retail dispute resolution processes/ systems is desirable. Minimum 8 years of relevant demonstrable work experience and 12 years total experience.
- iv *Qualification*: B.Tech/BE and MBA.

S- 8 **Process Expert:**

- i *Onsite deployment*: 50% during Phase-I and Phase II.
- ii *Role and Responsibility*: Streamlining data management, Identifying and documenting FRA's processes to the extent necessary to assure their effective operation and control using process mapping tools. Ensure that the processes at a minimum meet the standards of *Quality Management Systems* as recommended in ISO 9001:2015.
- iii *Experience*: Minimum 8 years of consulting demonstrable background in process design and documentation. Minimum 12 years of total work experience. Experience in financial sector preferred.
- iv *Qualification*:

S- 9 **Legal expert**

- i *Onsite deployment*: 50% during Phase-I and Phase II.
- ii *Role and Responsibility*: Drafting of rules, bye-laws and ensuring all the processes are compliant with applicable laws and all legal

compliances are in place.

- iii *Experience*: Minimum 8 years of relevant demonstrable consulting experience and total 15 years of work experience.
- iv *Qualification*: Bachelor of Laws (LL.B.)

S- 10 Functional Expert: CRM

- i *Onsite deployment*: 25% during Phase-I and Phase II.
- ii *Role and Responsibility*: Will provide expert services to ensure high quality CRM solution which is designed to be accessible to retail financial consumers on a pan India bases and is geared to handle the expected workload effectively.
- iii *Experience*: Minimum 12 years of relevant demonstrable work experience in managing at-least two technology based retail CRM operations and total 15 years of work experience. Relevant experience, preferably in UK/ Australia or any other member countries of OECD is desirable.
- iv *Qualification*: Post Graduate

S- 11 Functional Expert: Complaint management system

- i *Onsite deployment*: 25% during Phase-I and Phase II.
- ii *Role and Responsibility*: Will provide expert services to ensure high quality CMS solution that is designed to ensure smooth workflow of complaints in the system with appropriate document management functionalities and is geared to handle the expected workload effectively.
- iii *Experience*: Minimum 12 years of relevant demonstrable work experience in managing at-least two technology based retail CMS operations and total 15 years of work experience. Relevant experience, preferably in UK/ Australia or any other member countries of OECD is desirable.

iv *Qualification*: Post Graduate

S- 12 Financial and Procurement Expert

- i *Onsite deployment*: 50% during Phase-I and Phase II.
- ii *Role and Responsibility*: Will provide expert services to ensure high quality financial management systems at FRA. This position will also assist the FRA in procurement of external services.
- iii *Experience*: Minimum 12 years of relevant demonstrable work experience in designing and implementing financial management systems and processes and total 15 years of work experience. Relevant experience in regulatory/ statutory organisations is desirable.
- iv *Qualification*: Post Graduate and Chartered Accountant.

Deployment during Phase-III

The Consultant will be expected to provide a small team including the Project Manager for the Phase-III. The exact details of the team requirement shall be specified before the commencement of the Phase. The fees for Phase-III shall be based on man month rate and the period for which the services are actually utilised.

7.3. Consultant Cost

The Task Force has used two approaches to estimate the cost of services of primary consultant. The first was to look at relevant projects in the recent past and evaluate the cost of services thereunder in the context of FRA. The second approach was to estimate the cost based on defined staffing requirements and estimated support manpower, Out of Pocket Expense (OPE) and business margins.

Based on this, it is estimated that the proposed scope of services should cost between Rupees 6.5 crores to 8.5 crore exclusive of Service Tax. Details of the approach and underlying assumptions are given below in this document.

It is suggested that the GOI use the above estimate as the starting point and call for RFI and hold meetings with relevant Consultants. This will provide the GOI with direct feedback on cost implications and the overall work plan before the issuance of RFI.

Approach 1: Based on comparable RFPs

The approach considers primarily two RFPs that serve as proximate comparable for cost estimation purpose for project requirements of FRA; which involves ten deliverables specified in the scope of service. The two RFPs considered are issued by SEBI and Unique Identification Authority of India (UIDAI).

Four of SEBI's seven deliverables and eleven of UIDAI's thirteen deliverables are together relevant for FRA. They approximate to eight and a half of its ten proposed deliverables. As maybe obvious, the mapping of deliverables is not one to one. For example, two of the SEBI deliverables add up to address one unique deliverable for FRA. This means the equivalent SEBI deliverables are two. Further, technology and post implementation support related deliverables are provided in both the RFPs and are relevant to FRA. They have been taken at 50% from both, as UIDAI is relevant being a new design assignment and SEBI being relevant from a functional context.

Based on general understanding of the scope of services, it is estimated that equivalent of three deliverables from SEBI and nine from UIDAI broadly address

eight and half of the ten deliverables for FRA. An assumed cost is taken for the remaining deliverables given below:

1. Part of **D-3**: Report on business processes covering (i) Financial systems and control, and (ii) Accountability and reporting mechanism; and
2. **D-9**: User manuals and policies.

Note that both the RFPs were released 4-6 years ago. Accordingly, adjustments are made to account for this.

The cost of Consultant based on a approximation from SEBI and UIDAI RFPs is summarised in *Table 19* below. This is followed by a brief comparison of the deliverables under each of these RFPs with those of the FRA.

Table 19: Cost estimate: FRA primary Consultant

S.No.	Description	Cost (INR in crore)
1.	Budgeted cost for the relevant deliverables of FRA based on SEBI RFP (<i>Table: 37 on page 171</i>)	0.86
2.	Budgeted cost for relevant deliverables of FRA based on UIDAI RFP (<i>Table: 39 on page 174</i>)	6.87
3.	Budgeted cost: Manuals (assumed cost)	0.25
	Sub-Total	7.98
	Add OPE (assumed at 10% of project cost)	0.79
	Sub-Total (cost for all 10 deliverables of FRA)	8.77

Detailed review of the above mentioned past RFPs is provided in sub section *Review of past consultant RFPs* on page 171 in *Annexure H*.

Approach 2: Based on estimated input costs

The approach indicates the cost to be just under Rupees 6.5 crore. It is based on the requirements of minimum team of experts along with their support team that would be needed for delivering outcome as per the stipulated scope of work. The cost assumptions are based on prevailing market rates. The Consultant should provide team based on the scope of work. The requirement document

should specify the minimum team requirements for Phase I and II. The support team that the Consultant may deploy is not specified in detail at this stage. The team for project stabilisation during Phase III is also not specified in detail. FRA should define this closer to Phase III.

In this section, for costing, the team assumptions for Phase III and support teams in Phase II and I are taken based on the assessment that these might be the optimum requirement.

The following assumptions are used in the estimation:

1. The rate per month for each of the defined Experts and Consultant is based on the general understanding for rates prevalent for respective positions.
2. The duration for the defined team members and support staff is based on the general understanding of the requirement, where ever applicable.
3. OPE, Communication, Office expenses are considered @ 10% by consulting companies. Some of these costs are payable to the consultants by the employer organisation.
4. Head Office expenses for Quality Assurance/ Risk/ Finance/ others are considered @ 15% by consulting companies towards managing the project and governance by the management team.
5. Consultant business margin is assumed at 25% of cost and expenses.

A. Government order establishing the Task Force

No 16/3/2013-FSLRC (Part-I)
Govt of India
Ministry Of Finance
Department of Economic Affairs
FSLRC Division

North Block, New Delhi
Dated 5.6.2015

OFFICE ORDER

Subject : Task Force on Financial Redress Agency

The Financial Sector Legislative Reforms Commission (FSLRC) has recommended the creation of a Financial Redress Agency (FRA), which would act as a unified redress agency for financial consumers across the country.

2. The FRA, as envisaged in the draft Indian Financial Code (IFC), would be the first forum of independent grievance redress a financial consumer can access and will entertain grievances against all financial service providers. It would handle a large number of relatively low value complaints on a pan India basis and run a large scale, customer centric process to deliver efficient and effective outcomes.

3. The Ministry of Finance has begun preparatory work for establishing the FRA. With the objective of supporting the Ministry of Finance in establishing the FRA, it has been decided to set up a Task Force with the following **composition**:-

1. Shri D Swarup	Chairperson
2. Ms. Monika Halan (Editor, Mint Money)	Member
3. Shri Prithvi Haldea (Chairman, PRIME Database Group)	Member
4. Coordinator NIPFP - DEA Programme	Member
5. Principal Economic Adviser from DEA	Invitee
6. Adviser (FSLRC), DEA	Invitee
7. Representative of RBI	Invitee
8. Representative of SEBI (Shri Gyan Bhushan, ED)	Invitee
9. Representative of IRDA (Shri DD Singh, Member (Distribution))	Invitee
10. Representative of PFRDA (Shri Rakesh Sharma, GM)	Invitee

The Task Force may also invite / interact with other experts based on requirements.

4. The **Terms of Reference (ToR)** of the Task Force shall be as follows:-

- (I) Review the international best practices in consumer grievance redress, including ombudsmen and other dispute resolution mechanisms, with a focus on the financial sector.
- (II) Review the present practices of management of financial consumer redress in India.
- (III) Support the Ministry of Finance in procuring the services of competent consultants(s) to operationalise the FRA.

...contd 2/-

- (IV) Guide and monitor the consultant(s) in order to develop:
- Organisation and human resource design,
 - Business model,
 - Plan on the sources and uses of funds, with appropriate level of details for each function,
 - Outline of the systems of financial controls,
 - Risk assessment and risk management plan,
 - Administrative plan that includes a design of the physical infrastructure required,
 - Process manuals, which include detailed processes to be followed for each of its functions,
 - Specifications of information technology system with sufficient level of detail that can be used for a formal contract with service providers to build such a system,
 - Draft set of rules as may be required to implement the applicable IFC provisions,
 - Design of the accountability and reporting mechanisms.
 - Plan for transition from current grievance redress systems under each of the existing financial regulators.
- (V) Task Force will undertake cost benefit analysis (CBA) of alternatives/options while making recommendations.

5. The expenditure related to the Task Force activities will be met from the budget of NIPFP-DEA research programme supplemented as and when necessary. NIPFP-DEA research programme will also provide appropriate research assistance to the Task Force.

6. The Task Force will complete its task within one year.


(Gaurav Masaldan)
Director (FSLRC)
23092247/23095038

- Chairperson/Members/Invitees of Task Force (as per list of addresses).
- Governor, RBI: with the request to nominate an ED conversant with the subject to attend the meetings of the Committee as an Invitee on the Task Force.
- Chairman, SEBI,
- Chairman, IRDA,
- Chairman, PFRDA,
- Director NIPFP/ Coordinator NIPFP (Prof Ajay Shah, NIPFP)

Copy for information to:-

- PS to Hon'ble Finance Minister/PS to MoS(Finance)
- PPS to FS/ AS(Investment)/AS(EA)/AS & FA/ PEA, DEA, Ministry of Finance
- JS(FM)/Adv(CM)/Adv(FSDC), DEA, Ministry of Finance

B. FRA: Frequently Asked Questions

Note: This FAQ is based on draft *IFC 1.1*.

1. What is FRA?

The FRA is proposed to be set up as a statutory body under the draft IFC to redress complaints of retail consumers against the FSP's through a process of mediation and adjudication. It aims to provide a speedy and low-cost redress mechanism that will resolve a large number of relatively low value complaints.

The FSLRC in its report conceptualised the FRA as a technologically modern organisation. It recommended telephonic/online registration of complaints, digital handling of documents, video hearings, maintenance of a high quality electronic databases, online tracking of compensation payments, information sharing with regulators to ensure a strong feedback loop so that consumer complaints can inform the regulation making process.

2. Who is an FSP?

An FSP is a person engaged in the business of providing a financial service. A person refers to individual as well as artificial juridical person like company, trust etc. A regulated person is an FSP engaged in the business of carrying out a regulated activity (as specified by the regulator).

3. In what manner will the FRA be different from the redress mechanisms presently available to financial consumers?

Financial consumers in India are presently provided redress through: RBI, SEBI, IRDAI, PFRDA, MCA along with Consumer Courts. RBI provides redress related to banking through Banking Ombudsman as well as through its departments, SEBI to securities market through its in-house team. It runs a callcentre and a web-based IT platform to manage complaints called SCORES, the insurance related complaints are handled by IRDAI through its web-based IGMS and the Insurance Ombudsman, PFRDA addresses NPS related complaints through web-based CGMS managed by its CRA and call centres. , MCA resolves complaints related to unlisted companies through a web-based system.

The FRA will integrate the financial sector specific redress mechanisms and provide a unified redress system for all financial services. Although retail consumers will continue to have the option to approach other available forums, such as Consumer courts established under the Consumer Protection Act, 1986 (CPA).

Currently different regulators have different processes for dealing with complaints. The FRA would redress the complaints through mediation. If the mediation fails, the matter shall be decided by adjudication, which will be designed in a way that resolves disputes without resorting to lengthy legal process.

4. What is the proposed scope of FRA's jurisdiction?

FRA will accept a complaint from a retail consumer for all financial services including banking, payment, credit, investment, insurance and pension. A retail consumer means a consumer who is an individual or an eligible enterprise where the value of financial product or service does not exceed such amount as may be specified from time to time. A small enterprise eligible to approach the FRA shall be defined by their net asset value or turnover, to be prescribed through regulations.

The FRA will accept a complaint, only if the following conditions are satisfied:

- a) the complainant is a retail consumer,
- b) the retail consumer has complained to the FSP and the same has not been resolved to the satisfaction of the consumer,
- c) the retail consumer has not initiated complaint at any other court, tribunal or authority,
- d) any other court, tribunal or forum has not passed a final order on substantially the same cause of action,
- e) the complainant makes a specific claim for loss or damage within specified timelines and
- f) the FSP provided or promised to provide a financial service to the complainant.

In order to prevent abuse of the FRA, an FSP who is a consumer of a financial product or service that is substantially similar to the financial product or service that such a person provides would not be an eligible to complain on the same.

5. What processes would be followed by FRA while accessing complaints made to it by retail consumers?

The redress agency will follow the following steps while assessing complaints made to it by retail consumers:

- a) Receipt of complaint: Complaints against financial service providers may either be submitted directly to the redress agency (at any of its offices). In case they are submitted to the regulator, the regulator may forward the same to FRA.
- b) Screening of complaints: The redress agency may dismiss a complaint during the screening process if the consumer has not made a complaint to the FSP before approaching the redress agency; the complaint is prima facie frivolous, malicious or vexatious; or if the matter is pending before, or has been adjudicated upon by, another competent authority.
- c) Mediation: A complaint that is not dismissed during screening will be referred to a mediator who will assist the parties to arrive at a voluntary settlement. If the mediation process fails, the complaint will proceed to the adjudication stage, unless it is withdrawn by the retail consumer.
- d) Adjudication: The redress agency will appoint independent skilled and qualified adjudicators, who will be responsible for investigating, considering and determining complaints. Unless an appeal is made, the decision of the adjudicator will be final and binding on the parties.
- e) Appeals: Appeals from a decision of the redress agency's adjudicators will go to the FSAT and appeals from the appellate tribunal will go to the Supreme Court.

6. Would FRA be empowered to award penalties and impose fines?

FRA cannot award penalties or impose fine. The FRA adjudicator may award a fair compensation to the consumer for any financial loss suffered by the complainant or loss or damage caused on account of material distress or material inconvenience suffered by the complainant. This loss or damage may be financial in nature or material distress or material inconvenience. The compensation amount would include the interest on the amount of loss. There would be monetary limits on the amount of compensation depending on the class of complaint.

The adjudicator also has the power to award reasonable costs against the respondent and in favour of the complainant and against the complainant for providing a contribution to resources deployed in dealing with the complaint. Such costs shall be imposed if in the opinion of the adjudicator, the conduct of one of the parties was improper or led to an unreasonable burden on the FRA or the other party.

7. What kind of enforcement powers shall be available with the FRA?

If a person fails to comply with an adjudication order passed by the FRA, appropriate recovery actions will be taken by the concerned Regulator. Section 102 of the draft *IFC 1.1* provides that the Regulator will appoint one of its employees as a Recovery Officer and specifies the process to be followed for the purpose of such recovery. The Recovery Officer will be entitled to take actions for recovering the money in any of the following ways, in descending order of priority:

- a) attachment and sale of movable property belonging to the defaulter;
- b) attachment of the bank account of the defaulter;
- c) attachment and sale of immovable property owned by the defaulter;
- d) where the defaulter is an individual, arrest and detention of such individual in prison;
- e) appointing a receiver for the management of the movable and immovable properties belonging to the defaulter.

8. Where would appeals to the decisions of FRA lie?

If a consumer is not satisfied by the decision of the FRA, he may appeal against it to the FSAT. In case the person is aggrieved by the order of the FSAT, then he may appeal to the Supreme Court. The appeal to the Supreme Court must be made within 90 days from the receipt of the order from FSAT. In addition, the consumer can appeal to the Supreme Court only on a question of law.

9. Are chit funds, micro finance organisations etc. covered under the FRA?

A financial service provider will need to be a regulated financial service provider to be covered by the FRA. Chit funds in India are governed by the Chit Funds Act, 1982 and are registered and regulated by the State Governments. They are not regulated by SEBI. *In the current regulatory scenario, chit funds will not be covered by the FRA.*

Micro finance organisations registered as NBFCs are regulated by RBI. These NBFCs would be covered by FRA.

Draft *IFC 1.1* has a wide coverage of financial products and services. It provides

that every financial representative and every employee, of a financial service provider or a financial representative, who interacts with consumers, in the course of his employment should be registered with the Regulator. However, employees of the FSP may not register under certain conditions. The FRA shall have access to this data through the regulators.

For the purpose of the draft *IFC 1.1*, a “financial product” means – (a) securities; (b) contracts of insurance; (c) deposits; (d) credit arrangements; (e) retirement benefit plans; (f) small savings instruments; (g) foreign currency contracts other than contracts to exchange one currency (whether Indian or not) for another that are to be settled immediately; and (h) any other instrument that may be prescribed by Central Government under certain conditions.

The draft *IFC 1.1* defines “financial service” as:

- a) buying, selling, or subscribing to a financial product or agreeing to do so;
- b) acceptance of deposits;
- c) safeguarding and administering assets consisting of financial products, belonging to another person, or agreeing to do so;
- d) effecting contracts of insurance;
- e) offering, managing or agreeing to manage assets consisting of financial products belonging to another person;
- f) rendering or agreeing, for consideration, to render advice on or soliciting for the purposes of –
 - i. buying, selling, or subscribing to, a financial product;
 - ii. availing a financial service; or
 - iii. exercising any right associated with a financial product or financial service;
- g) establishing or operating an investment scheme;
- h) maintaining or transferring records of ownership of a financial product;
- i) underwriting the issuance or subscription of a financial product;

- j) providing information about a person's financial standing or creditworthiness;
- k) selling, providing, or issuing stored value or payment instruments or providing payment services;
- l) making arrangements for carrying on any of the financial services in clauses (a) to (k);
- m) rendering or agreeing to render advice on or soliciting for the purposes of –
 - i. buying, selling, or subscribing to, a financial product;
 - ii. availing any of the financial services in clauses (a) to (k); or
 - iii. exercising any right associated with a financial product or any of the financial services in clauses (a) to (k);
- n) any service carried out by an Infrastructure Institution; and
- o) any other service that may be prescribed by the Central Government under certain conditions.

Under the proposed draft law, both chit funds and micro finance organisations can come under the definition of financial service as well as financial product. These come under deposit and credit arrangements.

“deposit” is defined to mean a contribution of money made by a person to another otherwise than for the purpose of acquiring a security, which is repayable on demand or otherwise, but excludes such contributions as may be prescribed.

“credit arrangement” is defined to mean an arrangement that is a credit facility, credit guarantee or a combination of these, but does not include such credit arrangements that may be prescribed.

10. Is a company offering financial products directly (like IPO's, fixed deposits) covered by FRA?

The definition of financial products and financial services has been provided in the previous question. IPO's will not be covered by the FRA, unless there is a complaint by a retail consumer against a FSP, for instance merchant banker or financial advisor..

FRA shall cover fixed deposits, unless the entity offering such fixed deposits does not fall under the definition of a FSP.

11. Would intermediaries like merchant bankers, credit rating agencies and underwriters who do not have interface or transactions with the investors be covered by FRA?

Yes. Merchant bankers, credit rating agencies and underwriters are regulated FSPs. A retail consumer should be able to seek redress against them at FRA in case there is a grievance which is attributable to the services of such intermediaries. The fact that such a service may not have been directly provided to the retail consumer is not the test for determining if an entity is an FSP. For example, if a credit rating agency's false claims results in consumers suffering losses, the consumers would be able to approach FRA.

12. Would stock exchanges continue to run their redress systems once FRA is operational?

Stock exchanges may continue to do so if required by SEBI. Stock exchanges provide a redress mechanism for their members and customers. A consumer with a grievance against a stock exchange broker may approach the redress system set up by the stock exchange. However, if they choose to approach the stock exchange for arbitration proceedings under *The Arbitration and Conciliation Act, 1996* then they cannot approach the FRA as an award under such an arbitration can only be challenged in a court. The consumer, however, will have an option to approach FRA as an alternative to approaching the stock exchange in the first place. There might also be instances, where a consumer may have a complaint directly against the stock exchange. In such a situation, FRA may be approached.

It is important to consider the fact that the present mechanism under the stock exchanges have emerged due to lack of alternative full fledged redress mechanisms in the securities market. Over a period, it might make sense for the stock exchanges to focus on their core work and leave the redress on individual consumer complaints to FRA.

13. Would retail consumers be able to approach FRA for complaints against depository participants and brokers?

Yes. Depository participants and brokers provide financial services and are regulated FSPs. Their redress systems are their internal redress systems. Each FSP is required to have internal redress system and a consumer is required to first approach the FSP to seek solution to grievance. A retail consumer would be able to seek redress against them at FRA in case their response is not satisfactory

to the consumer. However, if they choose to approach an authority like a stock exchange for arbitration proceedings under *The Arbitration and Conciliation Act, 1996* then they cannot approach the FRA as an award under such an arbitration can be challenged in court.

14. What is the role of FRA in case a consumer has a grievance against an unregulated/ unauthorised financial service provider?

If FRA receives complaint against FSP who has not been authorised to provide the services provided to the complainant, the FRA must immediately communicate such information to the Regulator.

The Regulator (under the draft *IFC 1.1* is empowered to disgorge amounts equal to the profit or cost averted through contravention of the regulatory provisions and provide restitution to persons who have been affected by the said violation.

Under draft *IFC 1.1*, no person is permitted to provide a financial service or purport to do so, unless authorised by the Regulator. The draft *IFC 1.1* treats carrying on of business of providing a financial service without authorisation a breach of law and treats such offence as a Class B offence

15. Does a consumer have the option to directly approach the FRA in situations where the concerned financial service provider cannot be located or if it refuses to acknowledge or accept the consumer's complaint?

Yes, the draft *IFC 1.1* provides that the FRA may directly accept complaint of the retail consumer if the financial service provider cannot be located or has failed to resolve the complaint within the time-period specified by the Regulator or the retail consumer is not satisfied with the resolution of the complaint by the financial service provider. The retail consumer however, must not have initiated any proceedings on the subject-matter before any other court, tribunal or authority. In addition, a final decree or order on the complaint must not have been made by any other court, tribunal or authority.

Where the financial service provider cannot be located or reached by the FRA, the FRA would inform the regulator for appropriate steps.

16. What powers and oversight will the Regulators have over the FRA?

Financial regulators will have a key role to play in the appointment of members to the FRA and monitoring its functioning and progress. Information generated by the FRA will provide a useful feedback mechanism for regulators for aid and aid them in better regulation and supervision.

There are strong complementarities in the role of the Regulator (preventing grievances) and that of the FRA (curing grievances).

While discharging its consumer protection mandate, the Regulator has an interest to ensure that the FRA discharges its functions in an efficient manner. The draft IFC therefore empowers the Regulators to monitor and review the functioning of the FRA.

The following are the main oversight mechanisms that have been put in place in the IFC for this purpose:

- Appointment of Board members - The Board of FRA will consist of 4-7 members including one nominee of each of the Regulators. The remaining members will be appointed jointly by the Regulators in consultation with the Central Government.
- Framing of regulations - The Regulators are jointly responsible for framing regulations relating to the procedures to be followed by FRA. As per the draft IFC 1.1, this would include regulations relating to time limit for submission of complaints, monetary limits on award of compensation by FRA and procedure to be followed for accepting, screening, mediation and determination of complaints.
- Reporting requirements - The draft IFC 1.1 requires the FRA to submit an annual report to the Regulator with details of its financial requirements and timelines of the expected payment schedule. The FRA will also provide individual feedback to the regulators from whom a complaints has been received by it.
- Sharing of information - The FRA is required to provide information to the Regulators on an ongoing basis on the trends emanating from the complaints filed before it. The Regulator is in turn required to consider this information into account while making its regulations.
- Performance assessment - The Regulators and FRA will jointly set the performance targets to be satisfied by the FRA in each year under the IFC. The FRA will be accountable for explaining its performance against these productivity, timeliness and service quality targets.

17. Who will be responsible for consumer protection for financial consumers once the FRA is setup?

The financial sector is characterised by features such as complexity of financial

products and services, information asymmetries and differences in the bargaining powers of consumers and service providers. The existence of these market failures creates the need for regulatory intervention through the creation of a consumer protection framework. This framework needs to provide for ex-ante protections so that financial service providers are aware of their obligation to deal with consumers in a fair and responsible manner and an ex-post mechanism to deal with any violations that become known.

The regulators would play a preventive role by making regulations that protect consumer interests and prevent consumer grievances from arising. These regulations should be made within the framework of the rights and protections envisaged under the IFC. The Regulators will also supervise the conduct of FSPs and initiate enforcement actions against them for any breach of the law or regulations. The FRA on the other hand will perform a curative function in individual cases. Its role will come into play after a FSP has acted in a manner that leads to a consumer grievance and a complaint relating to the same is brought by the consumer.

18. Will the existing financial redress mechanisms set up by each of the financial regulators have to be compulsorily dismantled once the FRA is operationalised?

According to the FSLRC report, FRA will replace the existing financial sector-specific ombudsman systems such as the banking ombudsman and the insurance ombudsman. Presently, there is no redress mechanism available with SEBI and PFRDA.

However, retail consumers can approach the Consumer Courts established under the CPA and regular courts. The consumers cannot choose both the remedies, that is, they have to choose between getting recourse from either FRA or consumer courts. In addition, if the consumer has chosen one form of recourse then he cannot switch from FRA to consumer courts or vice versa. The FRA will accept a complaint from a consumer if he has not complained against an FSP regarding a similar matter in any other court or tribunal.

Under IFC, consumers can seek recourse from Consumer Courts under CPA Act. However, if in future, the number of complaints addressed to FRA significantly exceed than those being addressed to consumer courts then it provides for the Central Government to bring a notification to ensure that retail consumers direct their complaints regarding financial products and services only to FRA. This may happen once the Central Government is assured that FRA is effectively discharging its functions and consumer interest will not be compromised.

The regulators will continue to receive and monitor complaints from non-retail

consumers in the future.

19. Consumers of financial services presently have the option to seek redress through the consumer forums created under the CPA, 1986. Will creation of the FRA exclude this option?

At present financial consumers have the option to seek redress under the sector-specific grievance redress mechanisms created by various financial regulators as well as to approach the consumer forums created under the CPA. This is in addition to the general recourse that is available through the courts system.

The CPA creates a formal but quasi-judicial dispute resolution mechanism to address consumer complaints through a three-tier redress machinery at the National, State and District levels. It entitles consumers to raise complaints against unfair or restrictive trade practices adopted by service providers and seek remedies against deficiency of any respect in the delivery of services. The term “service” is defined under section 2(o) of the CPA mean a service of any description, which is made available to potential users and it includes, but is not limited to, the provision of facilities in connection with banking, financing and insurance.

While recommending the creation of the FRA, the FSLRC report suggested that retail financial consumers should continue to have the option to approach the consumer forums established under the CPA. This will ensure that retail financial consumers do not suffer any hardship or inconvenience due to the denial of an existing redress system, particularly so in the initial years of the FRA’s existence.

However, it was observed that if in the future, the Government is of the view that the FRA has acquired sufficient scale and expertise to be able to efficiently address all complaints from retail financial consumers, the Government will have the ability to exclude the applicability of the CPA to retail consumers covered by the FRA. The following factors are to be considered by the Government while making such a decision:

- a) if the number of complaints of retail financial consumers being referred to the FRA are significantly higher than the number of complaints of similar nature being referred to the consumer forums under the CPA;
- b) if the FRA is effectively discharging its functions under the IFC; and
- c) that the issuance of the notification excluding the applicability of the CPA should not cause a significant detriment to the interests of retail financial

consumers.

20. Would FRA cover only individual retail consumers?

The FRA shall accept complaints of individuals as well as small enterprises that use financial products or services below a specified value. These two shall together constitute retail consumer as defined in section 2(142) of the IFC. The limit on the value of financial services or products for the matter to be considered by the FRA shall be prescribed through regulations.

C. Feedback from RBI and SEBI

C.1. RBI

Views expressed by RBI:

1. As RBI already has a well-functioning system to redress the grievances of the bank customers, and has invested in it over the years, it would be better to focus on the same, and suitably enhance it as needed, rather than setting up a new agency for the purpose.
2. Setting up the FRA would mean separating consumer protection including grievance redress from regulation and supervision. It would deprive the consumer protection policies of the benefit of the insights gained by the regulator from resolution of grievances. Besides, it would also render the enforcement of regulations weaker to the extent the new system would not have the advantage of RBI's moral suasion and supervisory powers to enforce consumer protection regulations. RBI has doubts whether the separation of regulation/supervision from consumer protection would be in the best interest of the consumers.
3. RBI has accumulated considerable skills and experience in consumer protection. Discontinuing the Banking Ombudsman (BO) scheme would not only entail loss of this experience, but would also inflict unnecessary costs on the country in substituting the BO Scheme with another system.
4. Some of the observations on the Current Redress Framework as described in Section 2.1 of the Executive Summary of the report sound impressionistic and are not supported by any analysis presented in the report. In our view, any observations made in an Executive Summary of a report should flow from an analysis made in the report itself and should not be based on perceptions. The reader should see a clear link between the analysis and the conclusions/observations. However, we do not think that the draft report enables that. In particular, the following counter arguments may be noted in this context:
 - a) Even while a consumer may have complaints against bank, insurance, provident fund or security product, it is highly unlikely that he would

have the complaints against all the products at the same time. Thus, justifying creation of FRA on the advantage of not having to contact four different regulators does not seem convincing. However, there may be some merit in creation of a unified grievance redress agency if there is a combined financial sector regulator. So long as the financial sector regulation continues to be with different regulators, the effectiveness of a centralised solution would remain questionable. Even in that case, it is not clear whether setting up an agency outside the purview of the unified regulator is necessarily a better solution.

- b) In our view, the growing volume of financial sector transactions as noted in the report would only make the case for centralised solution weaker. In such situations one would argue for decentralisation as there would be enough work for all regulators and they could pay more focussed attention to grievance redress than a centralised agency.
- c) The problems concerning the customer service and the grievance redress are rooted, to a significant extent, in the various structural constraints faced by the financial institutions. Consequently, the effectiveness of the reforms at the level of the redress agencies or redress mechanisms to address the consumer protection issues has to recognise these limitations. As these constraints get addressed with the development of the financial sector and introduction of more competition, the customer service would improve considerably on that score. This fact needs to be taken into account while considering the case for superior ability of the FRA to address the grievances.
- d) Effectiveness of the model where regulations are made by financial sector regulators and enforced by FRA would depend, in part, on mechanism in place to resolve the issues involving interpretation of regulations. It would require frequent requests from the FRA to the regulators to interpret the regulations when the banks/insurance/securities companies question the FRAs interpretation of a regulation. It may be pertinent to note that despite the Banking Ombudsmen being seasoned RBI officers, they frequently raise issues of interpretation of regulations. This issue would only get accentuated with the creation of FRA either resulting in delays or decisions not reflecting the intent of the regulation.

C.2. SEBI

Views expressed by SEBI:

1. Unlike other regulators, SEBI handles complaints relating to entities under its jurisdiction on its own and the same are not handled by any other agency like Ombudsman/ Affiliated agency, etc.; Non redressal of grievances or sub-optimal and delayed redressal can be a ground for regulatory action by SEBI against intermediaries and other regulated entities. This is required in order to maintain integrity of a very dynamic market like the securities market.
2. SEBI does not charge any fee from investor for taking up his/her complaint with the registered intermediary, listed company (contrary to recommendation in report).
3. Most of the complaints being handled by SEBI would continue with SEBI;
4. SEBI already has a robust investor grievance handling system in place for last several years which has been made even more effective in the last five years (may be verified on the basis of data provided to the TF);
5. The tendency to ignore regulators directions will get aggravated and lead to dilution of authority and consumers will be put to risk by divergent interpretation of regulators directions;
6. SEBI has already put in place an effective regulatory framework for grievances redressal with an informed understanding about the functioning of the securities market.
7. The complaints handled by SEBI are against the entities regulated by SEBI as per regulations and the regulated entities are legally responsible for redressal of grievances and SEBI can initiate regulatory action against the entities for non redressal of the complaints. SEBI has taken regulatory action against various entities for non -redressal of grievances. It is obvious that for SEBI to remain effective the enforcement powers of SEBI should remain with SEBI.
8. As per the draft report (ref: Table 19 of page 105), complaints against

listed companies shall not be covered under FRA. The draft report, inter-alia, states that complaints for corporate governance/ Listing Norms and listed companies will not be covered under FRA. This was also informed to SEBI earlier while asking for data from SEBI. As per SCORES, of the total complaints received by SEBI till date almost 50% pertain to listed companies, on corporate governance etc. which would in the event of FRA being operational, as proposed in draft report, may continue to remain in SEBI's jurisdiction.

9. The draft report further states that (ref: page 27) the redress mechanisms provided by the stock exchanges in India for its members and customers who trade on them appear to have developed well and are expected to continue to provide a credible option for the consumers and members of these exchanges to have their disputes resolved. It is assumed that stock brokers, stock exchanges, depositories and DPs also therefore are expected to be out of ambit of FRA. These account for almost 25% of the complaints received against these entities in SCORES.
10. If listed companies, stock brokers, DPs etc., as mentioned above, are not covered under FRA, most of the pending complaints (almost 77%) shall remain with SEBI itself.
11. The draft report is yet to clearly define and identify the FSPs in securities market. It may be noted that intermediaries like Merchant Bankers, Credit Rating Agencies and Underwriters do not have interface or transactions with the investors. The report needs to clarify whether such intermediaries shall be treated as FSP or not. In case these intermediaries are not treated as FSPs, the percentage of complaints to remain with SEBI shall be even higher than 77%. Most of these definitions in the draft report are derived from the definition in Indian Financial Code (IFC) which is yet to be passed.

Therefore SEBI proposes that matters under SEBI's purview should be excluded, as a carve out, from the ambit of FRA.

D. Design of UK Financial Ombudsman Service

United Kingdom set up its Financial Ombudsman Service in 2000. *Box 12* below provides an overview of the UK-FOS.

Figure 12 depicts the organisation design of the UK FOS.

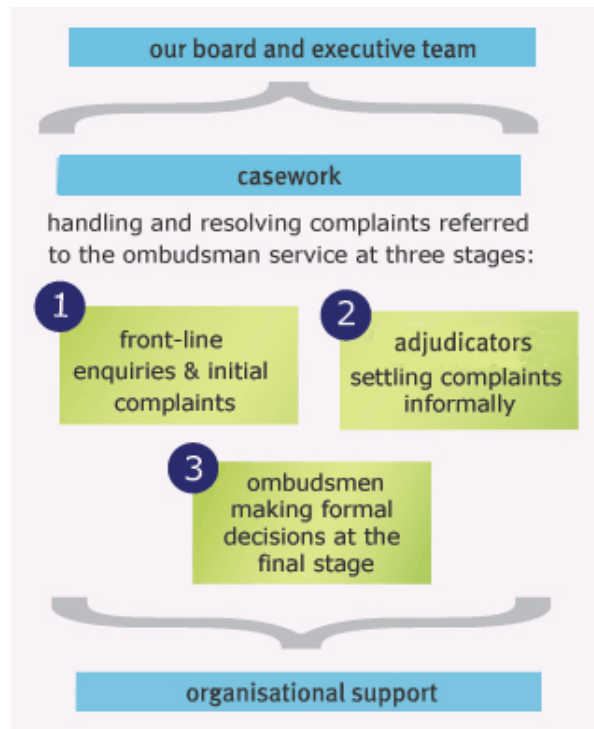


Figure 12: *UK FOS Organisation Design*

[H]

Box 12: *UK's Financial Services Ombudsman*

Background: UK-FOS was established under the Financial Securities and Markets Act, 2000. The act gives UK-FOS the powers for redress for activities regulated by Financial Services Authority (FSA) (accepting deposits, providing/advising on investment services, mortgages, insurance policies) as well consumer-credit activities, under Consumer Credit Acts, 2006. Individuals, micro-enterprises and charities or trust with annual income or NAV of less than 1 million pounds can lodge complaint with the UK-FOS.

Complaint handling process: The complaints are required to be first lodged with the financial service provider, and if it does not respond within 8 weeks or comes back with an unsatisfactory response, the consumer may approach the UK-FOS, and submit a complaint in a form provided by the UK-FOS. UK-FOS has front line staff that examines the complaint form, and forwards to adjudicators. In the redress process at UK-FOS, the first step is informal mediation or conciliation, based on paperwork received from parties and phone conversations. If that fails, the adjudicator responds in writing, expressing his views on resolution. If both parties accept response, complaint is settled. Non-acceptance leads to review and final decision by an ombudsman. This usually happens only once for every ten complaints received.

The Ombudsman considers first time hearing. There is no evidence on oath, summoning of witnesses or cross-examination of parties. Determination is done in fair and reasonable manner, and written statement with reasoned order is given. The statement may give a money award (of up to 100,000 pounds) as compensation or directions. If the complainant accepts within a specified time, this leads to finality. There is no system of appeal, and non-acceptance by complainant amounts to rejection of process. Consumer is free to then take up the matter before a court.

Publications: UK-FOS sends an annual report to FSA on discharge of functions. It provides half-yearly figures on complaints handled about individual named firms. It also publishes regular newsletter with case studies and feedback on recent complaints. UK-FOS provides a search function to check how UK-FOS handled similar cases in the past.

Funding: UK-FOS is funded through industry sources. There is an annual levy on FSA-regulated businesses of 100 to 300,000 pound, depending on size. UK-FOS also charges case fee from respondents, but the first 3 complaints are free for every consumer.

Coordination: UK-FOS has signed Memorandum of Understanding with the FSA and Office of Fair Trading (OFT) (consumer and competition authority). UK-FOS and OFT are not individual case hearing entities. UK-FOS provides regulators with monthly updates on its caseload, and informs them of any widespread issues it identifies. The problem Payment Protection Insurance described earlier in this chapter provides a good case study of how this works. When the complaints to the UK-FOS rose sharply, it alerted the FSA, which then took the action to remedy the cause.

E. Design of Australian Financial Ombudsman Service

Australia set up its Financial Ombudsman Service in 2008. *Figure 13* depicts the complaint handling process at the Australian FOS.

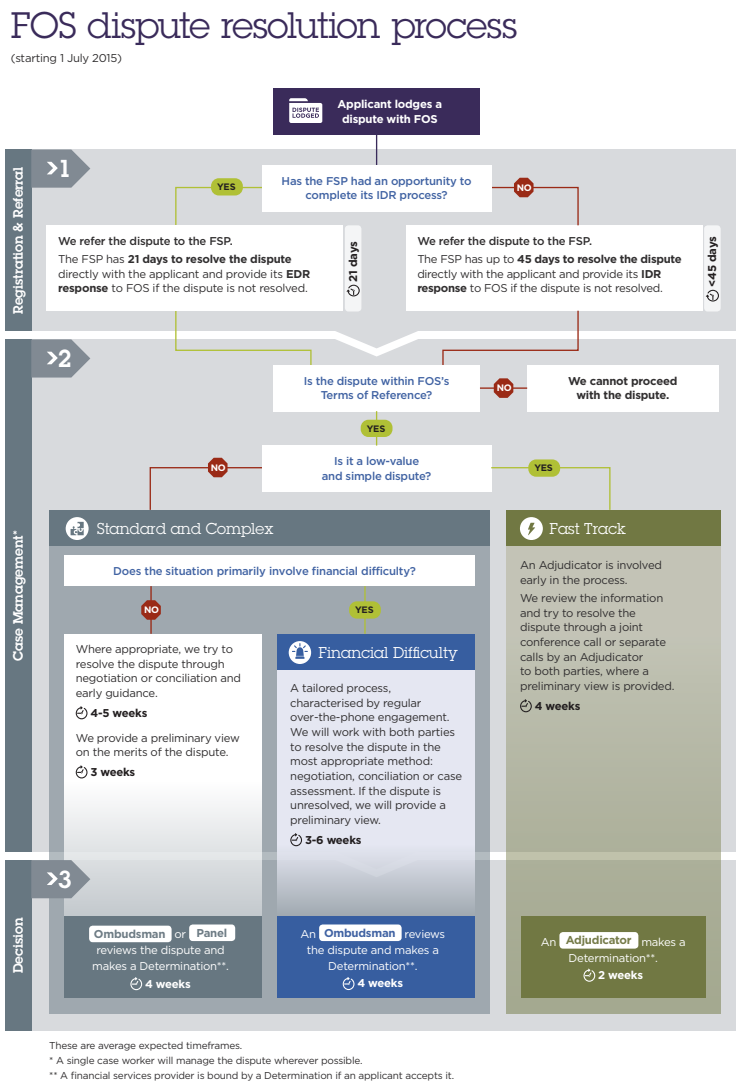


Figure 13: Australia Process Overview

Figure 14 depicts the organisation design of the Australian FOS.

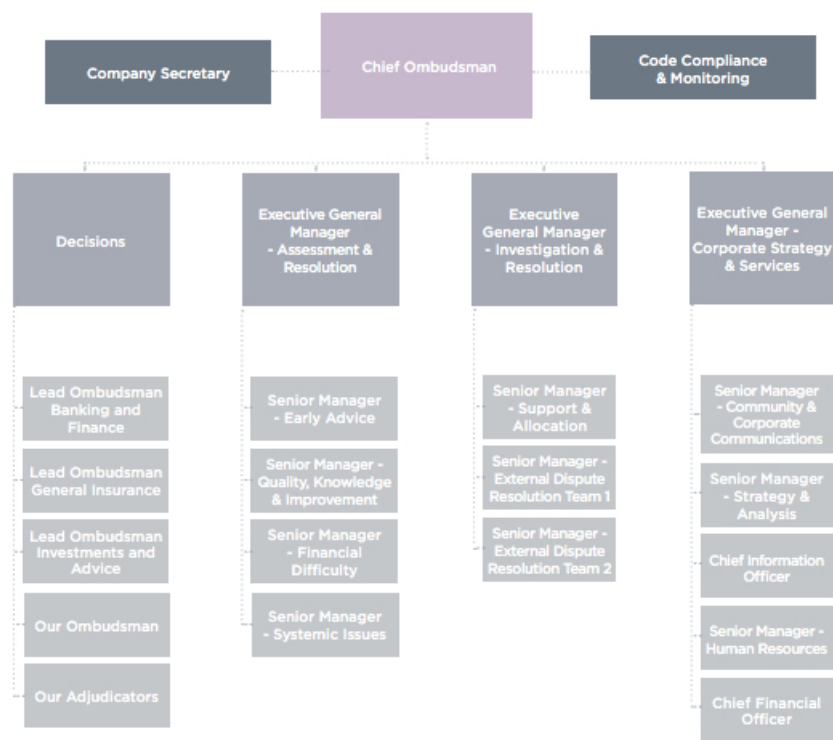


Figure 14: *Australian FOS Organisation Chart*

F. Current Redress: Data and Practices

F.1. Complaints and Expansion of Financial Markets

The banking sector is on the cusp of expansion. Recently, new licences have been granted to ten small banks and eleven payment banks. Banking is the major source of distribution for insurance, mutual funds and pensions. The insurance sector has already grown to fifty-two companies from being confined to a few government owned enterprises before 2000. The Foreign Direct Investment (FDI) norms have been recently notified in insurance to permit forty-nine percent investment through automatic route by overseas companies. Private pension market is at a very nascent stage. Similar FDI norms are being implemented for the pension sector. Government, as part of its development agenda, is pushing banking, insurance, pension to the low income and informal sector workers. As the financial sector expands, it is only natural that the volumes of complaints will grow at a higher rate. However, as has been discussed in *Section: Legislative Framework*, a strong consumer protection regime and an effective redress system will help generate confidence amongst retail consumers, eventually contributing to further deepening of the financial markets.

Box 13: *Expect Complaints to Grow at a Higher Rate*

Trends in Complaints: Annual insurance complaints have grown nearly seventy times from less than 5,000 in 2007-08 to 340,000 in 2014-15. The flow of banking complaints has almost doubled over the same period from about 48,000 to over 85,000. PFRDA has seen annual complaints grow over eight times from about 2,800 in 2009-10 to about 24,600 in 2014-15. SEBI has not seen a dramatic increase in number of complaints in the last few years. It has been receiving around 40,000 complaints every year since it started keeping centralised database in 2011. These include complaints against listed companies which are not FSPs.

F.2. Number of Regulated Entities

Table 20: *Financial Service Providers: A heterogeneous mix*

Regulator	Number of Intermediaries	Notes
RBI	520	Includes 27 Public Sector Banks, 46 Foreign Banks, 371 Rural Cooperative Banks, 51 Urban Cooperative Banks and 25 Private Banks
IRDAI*	2068494	Includes 53 Insurance companies, 503 Corporate Agents, 20,67,907 Individual Agents, 30 Third Party Administrators (TPA)s and 11 Web Aggregators
SEBI\$	58436	Includes 23 Stock Exchanges, 10,717 Brokers, 36384 Sub Brokers, 3491 Foreign Portfolio Investors, 5114 Deemed FPIs, 19 Custodians, 2 Depositories, 853 Depository Participants of NSDL and NSDL, 191 Merchant Bankers, 62 bankers to an issue, 2 Underwriters, 31 Debenture Trusts, 7 Credit Rating Agencies, 5 KYC Registration Agency, 73 Registrars to an issue, 200 Venture Capital Funds, 213 Foreign VCFs, 189 Alternate Investment Funds, 201 Portfolio Managers, 47 Mutual Funds, 373 Investment Advisors, 233 Research Analysts, 1 Collective Investment Management Company, 2 Approved Intermediaries, 1 STP(Centralised hub and 2 STP Service Provider
PFRDA	152	Includes 11 Pension Funds**, 76 Aggregators+, 1 Central Record keeping Agency (CRA) and 64 Points of Presence

* as on March 31, 2015

\$ as on December 31, 2015

**including Birla Sunlife Pension

+as of 10.10.2014

F.3. Main Categories of Complaints

Table 21: *Top Categories of Complaints*

RBI	SEBI	IRDAI	PFRDA
Failure to meet/ Non observance of fair commitments/ practice code/ BCSBI Codes**	Refund/Allotment/ Dividend/ Transfer/ Bonus/ Rights/ Redemption/ Interest	Unfair Business Practices*	Generation of PRAN number, card and delay in customer on-boarding
Card related (ATM, Debit/ Credit card)	Stock Brokers	Policy Servicing	
Pension Payments	Mutual Funds	Survival Claims	
*It was noted that this could partially be attributed to the fact that IRDAI system allowed consumers to decide this as one of the heads under which they could tag their complaints.			
** Banking Codes and Standard Board of India (BCSBI) is an independent and autonomous institution to monitor and ensure that the Banking Codes and Standards adopted by the banks are adhered to.			

F.4. Current redress practices

Access

- BO**
- **Where:** RBI has 15 BOs across the country. These are located in Ahmedabad, Bengaluru, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, New Delhi, Patna and Thiruvanthaapuram. Consumers can lodge their complaints at the BO office under whose jurisdiction the bank branch is situated.
 - **How:** Clause 9(2) of the *The Banking Ombudsman Scheme, 2006* prescribes a form in which complaints must be filed. It also allows for complaints in other formats and through electronic means. In case of complaints made through electronic means, a print out of such complaint has to be taken for the record of the Banking Ombudsman. In the case of BO, physical mode of lodging the complaints happens to be the predominant mode. This can be seen in Table 23. Over 60% of the complaints made to the BO are

through Post, Fax, Courier or hand delivery. The proportion of complaints received by RBI against NBFC through physical mode has also been high. This can be seen in *Table 24*.

- SEBI**
- **Where:** Complaints to SEBI are handled from 20 offices. These include the Head Office in Mumbai, 4 Regional Offices in Ahmedabad, Chennai, Kolkata and New Delhi and 15 Local Offices located in Bengaluru, Bhubaneswar, Chandigarh, Dehradun, Guwahati, Hyderabad, Indore, Jaipur, Kochi, Lucknow, Panaji, Patna, Raipur, Ranchi and Shimla.
 - **How:** Complaints to SEBI can be sent through the medium of physical letters, emails, by personal visits to SEBI offices and online through SCORES, which is a web-based, centralised grievance redress system. SEBI uploads the complaints physically received by it into electronic format in SCORES. SCORES also receives complaints through Public Grievances Portal of GOI. The online medium of lodging complaints has gained wide spread popularity amongst the securities customers. While SEBI received 76% complaints in paper-based format in 2011-12, 61% complaints were lodged online in 2014-15. This can be seen in *Table 26*.
- NSE**
- **Where:** The investor services cell of NSE handles complaints from their branches in Ahmedabad, Bangalore, Chennai, Delhi, Jaipur, Hyderabad, Indore, Kanpur, Kolkata, Lucknow, Mumbai, Patna, Pune and Vadodara.
 - **How:** Complaints can be sent in hard copy via post, courier or personal visits. Complaints can also be file online through NSE Investor Center (NICE), e-mail and SEBI's SCORES. NSE also provides a dedicated toll free number for queries of investors associations.
- IRDAI**
- **Where:** Insurance consumers can approach the Grievance redressal Cell of the Consumer Affairs Department of IRDAI. IRDAI also receives complaints through it's IGMS. The complaints registered through these channels are taken up with insurers for resolution and advice to the complainants.
 - **How:** Complaints can be filed through a toll free number and email id provided by the Department. IRDAI has provided grievance redress guidelines to insurers. These guidelines enable each insurer to have a uniform system for receiving, acknowledging and resolving grievances within specified time limits. According to IRDAI, more than 90% complaints are received through the insurers' portals, while less than 10% of the complaints go through IRDAI. This can be seen in *Table 28*.
- GBIC**
- **Where:** There are 17 Ombudsman centres covering the country. These are located in Ahmedabad, Bengaluru, Bhopal, Bhubaneswar, Chandigarh,

Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kochi, Kolkata, Lucknow, Mumbai, Pune, Patna and Noida. Any aggrieved individual who has taken an Insurance Policy on personal lines can approach Ombudsman under whose territorial jurisdiction the Branch or Office of the Insurer complained against is located.

- **How:** The complaint is to be made in writing and may be lodged by personal visit or through post, fax or email (to be followed by hard copy).

PFRDA Subscribers of NPS and other pension schemes can send their complaints to PFRDA through letters, emails and a web based portal called the CGMS, which is managed by National Securities Depository Limited (NSDL). NSDL also provides the CRA for PFRDA. PFRDA also has a toll-free number, where subscribers can call using their Telequery Personal Identification Number (TPIN).

Nearly 80% of the E-mails received by CGMS are in the nature of grievances³¹. There is a considerable increase in queries/grievances received through E-mails and letters over the last three years as shown in *Table 29*.

Managing agencies Queries of customers are also attended through helplines managed by agencies. SEBI's call centre had about 10 agents and most of the calls were handled in English and Hindi. It's services include providing guidance to investors in filing and tracking their complaints. PFRDA's calls are attended by CRA through its dedicated Helpline Number. CRA also has helpline to assist the Subscriber efficiently.³² RBI does not have a call centre either for itself or for the Banking Ombudsman scheme. While the volume of calls received by the call centre executives of PFRDA (CRA) has increased, they have moderated in the case of SEBI as depicted in *Table 30*.

Screening

Currently, there is no ex-ante mechanism or system in place to separate queries and complaints. In addition, the regulators do not have mechanisms of bifurcating simple and complex complaints. In the consultations held with the regulators, it emerged that *many complaints perceived simple turn out to be complex and therefore criteria has been developed to label complaints as simple or complex*³³. The only screening

³¹See Page 76 of the CRA, *Central Recordkeeping Agency Operations Annual Report 2013-14*.

³²See Page 77 of the CRA, *Central Recordkeeping Agency Operations Annual Report 2013-14*.

³³This experience differs from the experience of Australia-FOS which has based on review of its functioning, developed processes to classify complaints as *simple and low value* and *standard and complex*.

criteria followed across regulators is by jurisdiction, that is, whether the complaint is entertainable or non-entertainable. For example:

BO The complaints are classified as entertainable and non-entertainable.

1. *Entertainable* The BO receives and considers complaints pertaining to³⁴:

- a) non-adherence to the fair practices code as adopted by the bank;
- b) non-adherence to the provisions of the Code of Bank's Commitments to Customers;
- c) non-observance of RBI guidelines on engagement of recovery agents.
- d) non-payment or delay in payment of inward remittances;
- e) non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.;
- f) non-acceptance of small denomination notes and coins tendered for any purpose, and for charging of commission on them;
- g) failure to issue or delay in issue of drafts, pay orders or bankers' cheques;
- h) non-adherence to prescribed working hours;
- i) failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents;
- j) delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the RBI directives applicable to rate of interest on deposits maintained with a bank;
- k) complaints from Non-resident Indians having accounts in India in relation to their remittances from abroad and deposits;
- l) refusal to open deposit accounts;
- m) levying of charges without adequate prior notice;

³⁴See Section 8(1) RBI, *The Banking Ombudsman Scheme, 2006*.

- n) non-adherence by the bank or its subsidiaries to the instructions of RBI on ATM/Debit card/Credit card operations;
- o) non-disbursement or delay in disbursement of pension;
- p) refusal to accept or delay in accepting payment towards taxes;
- q) refusal to issue or delay in issuing or servicing or redemption of Government securities;
- r) forced closure of deposit accounts without due notice;
- s) refusal to close or delay in closing accounts;

2. *Non-entertainable* The BO will not consider the complaint if³⁵:

- a) the complainant has not approached his bank for redress of grievance first;
- b) the complainant has not made the complaint within one year from the date he received the reply from the bank;
- c) the subject matter of the complaint is pending for disposal/ has already been dealt with at any other forum like court of law, consumer court etc.;
- d) the complaint is frivolous or vexatious;
- e) the institution complained against is not covered under the scheme;
- f) the subject matter of the complaint is not within the ambit of the BO;
- g) the complaint is for the same subject matter that was settled through the office of BO in any previous proceedings.

SEBI The entertainable and non-entertainable complaints for SEBI are as follows:³⁶

- 1. *Entertainable*: SEBI deals with complaints that arise of issues covered under *Securities and Exchange Board of India Act, 1992*, Securities Contract

³⁵See Section 9(3) RBI, *The Banking Ombudsman Scheme, 2006*.

³⁶Securities and Exchange Board of India, *Frequently Asked Questions for SCORES*.

Regulation Act, Depositories Act and rules and regulations made under Section 55A of *Companies Act, 1956*.

2. *Non-entertainable*: SEBI does not deal with:
 - a) complaints against unlisted/delisted/wound up/liquidated/sick companies;
 - b) complaints that are sub-judice;
 - c) complaints falling under the purview of other regulatory bodies.

Insurance Ombudsman The details of the complaints that are entertainable and non-entertainable for Insurance Ombudsman are as follows:³⁷

1. *Entertainable* The Insurance Ombudsman deals with complaints regarding:
 - a) any dispute on the legal construction of the policies as far as it relates to claims;
 - b) delay in settlement of claims;
 - c) any partial or total repudiation of claims by an insurance company;
 - d) any dispute about premium paid or payable in terms of the policy;
 - e) non-issue of any insurance document to after payment of premium.
2. *Non-entertainable* The Insurance Ombudsman will not deal with complaints if:
 - a) the complaint has not been made in writing to the insurance company prior to approaching to the Insurance Ombudsman;
 - b) the complaint is lodged after more than one year of rejection or receipt of reply or non-response after more than 30 days of making complaint;
 - c) the complaint is not by an individual on 'personal lines' of insurance;

³⁷Insurance Regulatory and Development Authority, *Handbook on Insurance Sector's Grievance Redressal System*.

- d) the complaint is incomplete i.e.. the complaint should be in writing, duly signed, with name and address of the complainant, name and address of the office of the insurance company and nature and extent of loss caused to the complainant;
- e) the complaint is not in the locational jurisdiction of the Insurance Ombudsman;
- f) the subject matter of the complaint is before a court/ consumer forum/ arbitrator or disposed of earlier by a court/ consumer forum/ arbitrator;
- g) the total relief sought exceeds Indian Rupee (INR)20 lakhs.

PFRDA The details of the complaints that are entertainable and non-entertainable for PFRDA are as follows:³⁸

1. *Entertainable* PFRDA will accept grievances or complaints including any communication that expresses dissatisfaction, in respect of the conduct or any act of omission or commission or deficiency of service on the part of, an intermediary or an entity governed by the provisions of the Act and seeking a remedial action.
2. *Non-entertainable* PFRDA does not accept:
 - a) complaints that are incomplete or not specific in nature;
 - b) communications in the nature of offering suggestions;
 - c) communication seeking guidance or explanation;
 - d) complaints which are beyond the powers and functions of the PFRDA Authority or beyond the provisions of the *The Pension Fund Regulatory and Development Authority Act, 2013*;
 - e) any disputes between intermediaries; and
 - f) complaints that are sub-judice under court of law or quasi-judicial body.

³⁸Section 2(g) of the Government of India, *Pension Fund Regulatory and Development Authority (Redressal of subscriber grievance) Regulations, 2015*.

NSE NSE takes complaints against exchange members and listed companies. The complaints of following nature are taken up for resolution by NSE:³⁹

1. Complaints against exchange members:
 - a) Non-Issuance of the Documents by the Trading Member
 - b) Non-receipt of funds / securities
 - c) Non-receipt of margin/security deposit given to the Trading Member (TM)
 - d) Execution of Trades without Consent
 - e) Excess Brokerage charged by Trading Member / Sub-broker
 - f) Non-Receipt of Funds / Securities kept as margin
 - g) Auction value / close out value received or paid
 - h) Non-Receipt of Corporate Benefit (dividend / interest / bonus etc.)
 - i) Non-receipt of credit balance as per the statement of account
2. Complaints against Listed Companies:
 - a) Public/Further offerings: Complaint regarding non-receipt of
 - i. Allotment Advice, securities allotted, refund order
 - ii. Interest on delay in Redemption / Refund Amount
 - iii. Sale Proceeds of Fractional Entitlement
 - iv. Composite Application Form (CAF) for Rights offer Rights for (CAF) Application
 - v. Securities purchased through a Rights Offer
 - vi. Letter of offer for Buyback

³⁹As per https://www1.nseindia.com/invest/content/complaints_exchange.htm

- b) Corporate Actions: Complaint regarding non-receipt of
 - i. Dividend
 - ii. Interest on Debentures, Bonds or other Debt Instruments
 - iii. Securities on account of a Bonus / De-merger / Merger / Stock Split
 - iv. Redemption Amount
- c) Transfer of Securities: Complaint regarding non-receipt of
 - i. Securities after Dematerialisation
 - ii. Securities after Transfer/Transmission
 - iii. Duplicate Certificate relating to Securities
- 3. Complaint regarding non-receipt of copy of the Annual Reports.

Decisions

1. **NCDRC:** The decision order of NCDRC contains the name and address of the petitioner(s) and the respondent(s), name of the adjudicator(s), award date and states the case order in numbered paragraphs in simple English. The sequence of the order includes case background, record of costs incurred by the complainant, summary of arguments in the court, references to previous decisions and the final decision.
2. **Insurance Ombudsman:** In the insurance sector, the Insurance Ombudsman through the GBIC publishes decisions for both life and general insurers. In decision orders analysed by the Task Force, it was found that there is no coherent format followed by all the ombudsman centres across the country. Usually the decision order states the award date, brief background of the case that discloses the name of the parties, the findings of the case and the final decision. However, the level of details in the decision orders is different for different Ombudsman centres. The orders are in English language.
3. **BO:** The BO Scheme, 2006 publishes an annual report, which anonymously describes exemplary cases dealt by the BO office during the year. The description

consists of the case background, costs of service, action taken by the bank, the BO, and the final decision/advise of the BO to the bank. The exemplary cases for the 2013-14 consisted of case of fraud, net banking fraud, Automated Teller Machine (ATM) transactions, credit cards, loans and advances, pension and others.⁴⁰

4. **SEBI:** The decision order of SEBI states the background of the case along with the name of parties. The next section details the process of appointing the adjudicating officer, followed by section on show cause notice, reply and hearing. The next section details the various issues along with findings upon the examination of the case - responses of the companies is also presented within the order for validating the issue. The final section contains the order where SEBI imposes the penalty/fine along with details of how payment needs to be made to SEBI.

Enforcement/ Appeal

Consumer courts:

- *Enforcement:* The District Forum, State Commission or the National Commission can impose a penalty on a person against whom a complaint has been made or if such person refuses to comply with the order of the consumer court. The penalty may include imprisonment, which shall not be less than a month but may extend up to three years or with fine, which shall not be less than INR two thousand but may extend up to INR ten thousand or with both.⁴¹
- *Appeal:* The appeal mechanism in consumer courts in India moves from District Forum to State Commission and from State Commission to NCDRC. This means, if a consumer has complained at the District Forum and is not satisfied with the judgment, he can appeal to the State Commission and then to the NCDRC. The NCDRC also accept revision petitions against irregular exercise of jurisdiction by the State Commission.⁴²

Banking Ombudsman:

- *Enforcement:* The bank is required to comply with the order within one month of receipt by it of the acceptance in writing of the Award by the complainant.⁴³. Further Section 35A(1) of *Banking Regulation Act, 1949*, empowers the RBI to give directions to the banking company, where it is satisfied that such directions

⁴⁰See Page 62 of the CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2013-14*.

⁴¹Section 27(1) of Government of India, *The Consumer Protection Act, 1986*.

⁴²Section 27A(1) of Government of India, *The Consumer Protection Act, 1986*.

⁴³See Section 14(9) of RBI, *The Banking Ombudsman Scheme, 2006*.

- are in the interests of public
- are in the interests of the banking policy
- are to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company;

The banking company is bound to comply with such directions.

- *Appeal*: If the complainant is aggrieved by the award or rejection of the complaint by the BO, then the complainant can appeal before the Appellate Authority⁴⁴ who as per Section 3(2) of the *The Banking Ombudsman Scheme, 2006* is the Deputy Governor in charge of the department of RBI administering this scheme (Consumer Education and Protection Department).

SEBI:

- *Enforcement*: SEBI is subjected to the limitations mentioned already in *Box 6*. SEBI takes various enforcement actions like adjudication, debarment from securities market etc. in order for non redress of investor grievances and for not taking SCORES authentication. The number of such proceedings initiated by SEBI in the past few years is given in *Table 22*⁴⁵.

Table 22: Details of Enforcement Actions by SEBI

Type of Enforcement proceedings initiated	2013-14	2014-15
Adjudication	246	644
Under Section 11/11B of SEBI act	119	146

In case of non-redress of a grievance by an intermediary after having being called upon by the SEBI Board in writing to redress the grievances of investors, then such an intermediary shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.⁴⁶

⁴⁴See Section 14(1) of RBI, *The Banking Ombudsman Scheme, 2006*.

⁴⁵Section 11 of Government of India, *Securities and Exchange Board of India Act, 1992*, casts a duty on SEBI Board to protect the interests of investors in securities and Section 11B allows the Board to issue directions to the company in that regard.

⁴⁶See Section 15C of Government of India, *Securities and Exchange Board of India Act, 1992*.

- *Appeal*: If any person is aggrieved by the order of SEBI Board or by an order made by an adjudicating officer under the *Securities and Exchange Board of India Act, 1992* then he can appeal to SAT.⁴⁷

NSE:

- *Enforcement*: Section 36 of *Arbitration and Conciliation Act, 1996* provides that an arbitral award shall be endorsed under the Code of Civil Procedure, 1908 (5 of 1908) in the same manner as if it were a decree of the Court.
- *Appeal*: Either party to the arbitration can file an appeal to the appellate arbitration within a period of 30 days from the receipt of award. The appellate arbitration panel consists of 3 arbitrators and are different from the ones who passed the original arbitration award. The decision of the appellate award may be challenged under Section 34 of *Arbitration and Conciliation Act, 1996* before the nearest civil court.

GBIC:

- *Enforcement*: When a complaint is settled through mediation of the Ombudsman, the insurer is required to comply with the terms of the recommendations within 15 days of the receipt of such recommendation and the insurer shall inform the Ombudsman of its compliance. In case the complaint is not settled through mediation, the ombudsman shall pass an award and the insurer shall have to comply with the award within 15 days of the receipt of the letter of acceptance of the award from the complainant.⁴⁸

Sometimes Insurance Companies do not act promptly on the Awards passed by the Insurance Ombudsman. They cite reasons such as filing an appeal against the Ombudsman for non implementation of the award.⁴⁹ *Currently, there are no penal provisions available in the Redress of public grievances rules, 1998 for the non-implementation of the award passed by Insurance Ombudsman.* Section 16(2) of the *Redress of public grievances rules, 1998* provides that the Ombudsman cannot award compensation for an amount exceeding *INR twenty lakhs*. The compensation cannot exceed the amount that covers the loss suffered by the complainant as a direct consequence of the insured peril.

- *Appeal*: The *Redress of public grievances rules, 1998* does not provide for any

⁴⁷Section 15T(1) of Government of India, *Securities and Exchange Board of India Act, 1992*.

⁴⁸For more details, see Rule 15, 16 of the Government of India, *Redress of public grievances rules, 1998*.

⁴⁹See Page 32 of the GBIC, *Consolidated Annual Report of the Governing Body of Insurance Council & Offices of the Insurance Ombudsmen for the year 2014-15*.

appellate mechanism to the complainant. If the recommendation or the award of the Insurance Ombudsman is not agreeable, the complainant may exercise the right to take recourse to the normal process of law against the insurance company.

PFRDA:

- *Enforcement*: If any intermediary registered with PFRDA after having been called upon in writing to redress the grievance of subscribers, fails to redress the grievance within the time stipulated by the Authority, then it shall be liable to a penalty of not more than INR one crore or five times the amount of profits made or losses avoided, whichever is higher.⁵⁰
- *Appeal*: Any person aggrieved by the order of the PFRDA Authority or by an adjudicating officer under the *The Pension Fund Regulatory and Development Authority Act, 2013* can appeal to SAT.⁵¹

Reporting/disclosure

Regulatory compliance :

- *Orders, circulars and guidelines*: All the financial regulators in India publish subordinate legislations and quasi-judicial instruments such as orders, master-circulars, circulars, guidelines and notifications. These are available to public at large on regulators' websites. There is no standardised definition or usage of these documents and therefore it is difficult to point out what each instrument is used to convey.⁵²
- *Rules and regulations*: All the financial regulators make their rules and regulations available on their websites. These rules and regulations are aimed at FSPs and help with regulatory compliance.

Performance measurement and accountability :

⁵⁰Section 28(3) of Government of India, *The Pension Fund Regulatory and Development Authority Act, 2013*.

⁵¹Section 36(1) of Government of India, *The Pension Fund Regulatory and Development Authority Act, 2013*.

⁵²Government of India, *Report of the Financial Sector Legislative Reforms Commission - Volume I*.

1. *Annual report*: Annual reports give a comprehensive view about a company's activities throughout the preceding year. The report is especially relevant for stakeholders who are interested in the information about the company's activities and financial performance. However, there is no standardised format for annual reports currently among the financial regulators.

The annual report of the Banking Ombudsmen contain details regarding:⁵³

- a) Vision statement of the Banking Ombudsmen offices;
- b) Customer service initiatives by the RBI;
- c) Details about consumer complaints and disposal⁵⁴
- d) Cost of running the BO scheme;
- e) Name, address and area of operation of BO; and
- f) Synopsis of exemplary cases dealt with by BO offices.

GBIC's annual report contains details regarding:⁵⁵

- a) Names of the Ombudsmen, name of the centre and their area of jurisdiction;
- b) Auditor's report on financial statements;
- c) Consolidated statement of income and expenditure for the year;
- d) Summary of complaints disposal ⁵⁶

⁵³CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2013-14*.

⁵⁴Details about consumer complaints and disposal include:

- i. profile of customer complaints;
- ii. number of complaints received;
- iii. nature of complaints handled; and
- iv. number of complaints disposed

⁵⁵GBIC, *Consolidated Annual Report of the Governing Body of Insurance Council & Offices of the Insurance Ombudsmen for the year 2013-14*.

⁵⁶Summary of complaints disposal includes:

- e) Names of the FSP against who complaints have been received along with the number of complaints received against each FSP
- f) Nature-wise classification of complaints;
- g) Observations/ suggestions/ recommendations of Ombudsmen; and
- h) Reports of offices of the Insurance Ombudsmen

The operations of IRDAI's IGMS are covered in the consolidated annual report of the IRDAI's Annual Report. IRDAI's Annual Report contains information about the interface available to consumer for logging of complaints and highlights the following statistics:

- a) Status of Grievances for both life and non-life insurers;
- b) Sub-classification of complaints for both life and non-insurers.

The operations of PFRDA's CGMS are covered in the Annual Report of CRA. CRA's annual report contains information about CGMS and logging of grievances with CRA. It also contains statistics on:⁵⁷

- a) Number of grievances raised against different types of entities;
- b) Number of queries received through E-mails and letters;
- c) Number of queries received through CRA Helpline.

Strategic plan : The BO organises an annual conference. Senior officials from the Banking Codes and Standards Board of India, Indian Banks Association, Credit Information Bureau of India Limited (CIBIL) and some leading banks are invited

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- i. total number of complaints received;
 - ii. total number of complaints disposed by way of awards/ withdrawal/ dismissal/ non-acceptance;
 - iii. duration for disposal of complaints;
 - iv. duration for outstanding complaints.

⁵⁷See Page 75-77 of CRA, *Central Recordkeeping Agency Operations Annual Report 2013-14*.

to discuss various issues relating to customer service and regulatory measures for improving customer service in the banking sector.⁵⁸

IRDAI in its annual reports claims that it examines on a continuous basis the underlying issues that cause grievances and works towards rectifying the systemic issues involved.⁵⁹

Process (*Comments/feedback on draft reports*):

The financial regulators are quasi-judicial bodies. Before passing rules and regulations binding on FSPs, they undergo a consultative process wherein the regulators seek comments and feedback on their draft reports, rules and regulations. For example, SEBI sought comments on the Sumit Bose Committee Report⁶⁰, which addressed issues on mis-selling of financial products. Similarly, RBI published the draft of its depositor education awareness scheme⁶¹ and asked for comments. IRDAI too published exposure draft of regulations for third party administrators⁶² and invited comments and feedback.

Outreach: In order to reach out to stakeholders which includes consumers, FSPs, government, and media. Financial Regulators organise regional conferences and meetings with consumer organisations on a regular basis. They also publish several types of documents and make them available on their website.

1. *Press Release:* SEBI, RBI and PFRDA regularly put out press releases on their websites.
2. *Speech:* RBI in its outreach bid publishes texts of the speeches made by the senior staff members of RBI.
3. *Names of defaulters:* It is important for financial consumers to be aware about FSPs who are non-compliant or defaulters. This ensures that consumers are not short-changed by the defaulter FSPs. SEBI regularly publishes orders against defaulter FSPs.⁶³ Similarly, NSE publishes list of

⁵⁸<https://www.rbi.org.in/commonman/English/Scripts/PressReleases.aspx?Id=1127>

⁵⁹See Page 85 of IRDA, *Insurance Regulatory and Development Authority, Annual Report 2013-14*.

⁶⁰Securities and Exchange Board of India, *Report of the Committee to recommend measures for curbing mis-selling and rationalising distribution incentives in financial products*.

⁶¹Reserve bank of India, *Draft Scheme: The Reserve Bank (Depositor Education and Awareness Fund) Scheme, 2014*.

⁶²Insurance regulatory and Development Authority of India, *Exposure Draft: Insurance Regulatory and Development Authority of India (Third Party Administrators - Health Services) Regulations, 2015*.

⁶³These orders can be accessed at <http://www.sebi.gov.in/sebiweb/>

debarred entities.⁶⁴

Funding

NCDRC: The Department of Consumer Affairs allocates budget to NCDRC.⁶⁵ In addition, consumers are supposed to file their complaints accompanied by a fee that ranges from INR 100 to INR 5,000 depending on the total value of goods or services and the compensation claimed.⁶⁶ This fee is credited into the Consumer Welfare Fund of the respective State and where such fund is not established and in the case of NCDRC, to the Consumer Welfare Fund of the Central Government.⁶⁷ The salary of the NCDRC staff is paid out of the Consolidated Fund of India (CFI).

SEBI: SEBI is not dependent on the government or any authority for its funding requirements. Financial autonomy is built into the law that created the institution (*Securities and Exchange Board of India Act, 1992*) by way of providing a separate fund into which all grants, fees and charges received by the Board are credited to. For instance, SEBI is empowered to levy fees and other charges for the performance of its functions. The proceeds of the penalties imposed by Adjudicating Officers (AOs), however, are credited to the CFI. The main sources of revenue for SEBI are income from fees from intermediaries and investment income.

SEBI also handles the budget for the Investor Protection and Education Fund (IPEF), which is separate from the agency's budget. The Fund, set up to promote investors awareness and to protect the interests of investors, is used for investor education activities of the Board, in accordance with the provisions of the *Securities and Exchange Board of India (Investor Protection and Education Fund), 2009*. It was established with an initial corpus of INR 10 crore. The main source of revenue for the Fund is interest receipts of investments.

IPEF includes:

⁶⁴This list can be accessed at http://nseindia.com/global/content/media/regulatory_actions.htm

⁶⁵Department of Consumer Affairs, Government of India, *National Action Plan for Consumer Awareness and Redressal and Enforcement of Consumer Protection Act, 1986*.

⁶⁶See Section 9A of Government of India, *The Consumer Protection Rules, 1987*.

⁶⁷The GOI created a fund called the Consumer Welfare Fund vide See Section 12C (1) of *The Central Excise Act, 1944*. This fund was created with the objective of providing financial assistance to promote and protect the welfare of the consumer and create consumer awareness. The fund is operated by the Department of Consumer Affairs. (Department of Consumer Affairs, Government of India, *Annual Report 2014-15*). The fund is used to make grants to complainants for reimbursing their legal expenses post adjudication on a selective basis.

1. contribution by SEBI;
2. grants, donation by Central and state governments or any other entity approved by SEBI Investor Protection Fund;
3. Investor Services Fund;
4. one percent security deposit available with the exchange in the event of de-recognition of stock exchange;
5. Interest or other income received from investment made from the fund; and
6. any other amount as SEBI may specify in interest of investors.

NSE: If the dispute involves a claim amount less than or equal to Rs. 10 lakhs, then the investor, either applicant or respondent, is exempted from the payment of fees towards cost of arbitration and the Exchange bears the same on behalf of the investor. However, if the dispute involves a claim amount of more than Rs. 10 lakhs, the investor has to deposit a fee for the arbitration proceedings.⁶⁸

Party against whom the arbitral award has been passed bears the costs of arbitration. The Exchange gives a full refund of deposit to the party in whose favour the award has been passed.

RBI: RBI is financed by its own budget and does not receive any financial support from any entity, including the Central Government. There is no inherent limitation on the part of the Reserve Bank to obtain and deploy resources required for carrying out its supervisory mandate.

The total expenditure incurred for running the BO scheme is fully borne by RBI.⁶⁹ The expenditure is divided into:

1. *revenue expenditure* which includes salary and allowances for staff attached to BO office, rent, taxes, insurance, printing and stationery expenses; and
2. *capital expenditure* which includes costs incurred on furniture, electrical installations, computer/ related equipment, telecommunication equipment etc.

GBIC: Expenses of the insurance ombudsman and the office of GBIC are met by Life Insurance Corporation of India (LIC). The GBIC receives lump-sum amount from

⁶⁸ As per National Stock Exchange, India, *Frequently Asked Questions*.

⁶⁹ See Section 6.1 of CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2013-14*.

LIC for the funding of its expenses. The GBIC then calculates the market share of each member i.e., LIC, General Insurers Public Sector Companies (GIPSA) and other private companies. The amount received from LIC is then apportioned as per their market share. The amount received from LIC in excess of its share is refunded to LIC.⁷⁰ In case of six centres, the salary of officials on deputation from LIC is paid directly by respective Ombudsman Centre, whereas normally the parent company (such as LIC, New India Assurance etc.) pays the salary and the Ombudsman Centre reimburses it to them.⁷¹

PFRDA: Section 41(1) of *The Pension Fund Regulatory and Development Authority Act, 2013* provides for PFRDA to establish a Subscriber Education and Protection Fund (SEPF). The SEPF is funded through:⁷²

1. grants and donations by the Central Government, State Governments and companies;
2. interest or other income received out of the investments made from the SEPF;
3. the sums realised by way of penalties by PFRDA;

The SEPF is administered for the purpose of protection of subscribers' interests and promotion of subscribers' education and awareness. The fund is also supposed to be utilised for paying salary and allowances and other expenses of office of Ombudsman⁷³

Ministry of Corporate Affairs (MCA): Under Section 205C of the *Companies Act, 1956*, the Central Government established a fund called the Investor Education and Protection Fund (IEPF).⁷⁴ The IEPF includes:⁷⁵

1. unpaid dividend accounts of companies;

⁷⁰See point 5, Schedule B GBIC, *Consolidated Annual Report of the Governing Body of Insurance Council & Offices of the Insurance Ombudsmen for the year 2013-14*.

⁷¹See point 8, Schedule B GBIC, *Consolidated Annual Report of the Governing Body of Insurance Council & Offices of the Insurance Ombudsmen for the year 2013-14*.

⁷²See Section 4 of Pension Fund Regulatory and Development Authority, *Pension Fund Regulatory and Development Authority (Subscriber Education and Protection Fund) Regulations, 2015*.

⁷³See Section 5(2) of Pension Fund Regulatory and Development Authority, *Pension Fund Regulatory and Development Authority (Subscriber Education and Protection Fund) Regulations, 2015*.

⁷⁴The IEPF is utilised for promotion of investors' awareness and protection of the interests of investors.

⁷⁵See Section 4 of Government of India, *Investor Education and Protection Fund (awareness and protection of investors) Rules, 2001*.

2. application moneys received by companies for allotment of any securities and due for refund;
3. matured deposits with companies;
4. matured debentures with companies;
5. grants and donations given to IEPF by the Central Government, State Governments and companies;
6. the interest or other income received out of the investments made from the IEPF

F.5. Complaints Received and their Disposal

Annual reports of regulators, with the exception of SEBI, highlight a continuous increase in complaints received by financial regulators over the past few years. This indicates increasing consumer awareness of the existence of these agencies, and the regulators claim to have spent considerable amount of money in investor education and awareness initiatives.

Regulators' efforts to resolve complaints within a reasonable period are becoming visible, as the number of outstanding complaints at the end of each financial year has decreased for most regulators. The BO claims to have maintained a 96% disposal rate during 2014-15.⁷⁶ IRDAI was able to address 97.6% of complaints that it received during 2014-15. RBI, however, rejected 60.3% of the maintainable complaints in the year 2014-15; this was up from 55.6% and 48.7% in the previous two years respectively. Reasons for rejection include late filing of complaint; requirement of elaborate documentary; and oral evidence.

The approach to address grievances varies by regulator. For example:

SEBI With the aim of expediting redress, SEBI has established various regulatory measures. The grievances lodged by investors are taken up with the respective listed company/intermediary and continuously monitored. The company/intermediary is required to respond in the format prescribed i.e. the form of the Action Taken Report (ATR). If the response of the company/intermediary is found to be insufficient or inadequate, follow up action is initiated.

Should the redress of investor grievances prove to be unsatisfactory, SEBI takes appropriate enforcement actions (Adjudication, 11B directions of *Securities and*

⁷⁶See Page 37 of the CEPD, *The Banking Ombudsman Scheme 2006. Annual Report 2014-15*.

Exchange Board of India Act, 1992, Prosecution etc.) as provided under the law. During 2013-14, SEBI levied a penalty of INR 120 lakh against 20 companies through adjudication proceedings for their failure to redress investor grievances; 11,410 complaints were outstanding during the that period. SEBI does not provide compensation or awards to consumers as the *Securities and Exchange Board of India Act, 1992* does not empower it to do so.

IRDAI Most complaints handled by IRDAI are resolved by the insurance companies themselves. 99.96% of the complaints against Life-Insurance companies and 98.71% of the complaints against non-life insurance companies during the financial year 2013-14 were resolved by the respective companies.

RBI BO Complaints are mainly resolved by mutual settlement, or agreement between the parties. However, in relation to the total annual number of complaints handled by RBI BO, the number of compensation awards issued by redress forums is low. For example, in 2014-15, the BO received 85,131 complaints, and issued only 87 awards, i.e. approximately 0.001% of the total complaints.

Insurance ombudsman The same however does not appear the case with the Insurance ombudsman; here, the number of awards issued are approximately 25% of the total complaints received (6089 awards out of 24782 complaints received in the year 2014-15).

Table 23: *Medium of receipt of complaints (excluding queries) at RBI*

Medium	2014-15	2013-14	2012-13
Email	19508	15181	11381
Online	11634	9785	8160
Post/Fax/Courier/hand delivery	53989	51607	51000

Table 24: *No. of complaints (excluding queries) received at RBI against NBFC through various medium*

Year	Medium		Total
	Online/email	Paper	
2010-11	130	1189	1319
2011-12	181	1358	1539
2012-13	209	1322	1531
2013-14	239	1664	1903
2014-15	492	2546	3038

Table 25: *Complaints (excluding queries) received against financial entities and intermediaries*

Agency	2014-15	2013-14	2012-13
BO	85131	76573	70541
RBI (NBFC related)	3038	1903	1531
SEBI*	27106	20394	24044
IRDAI	339680	437955	419939
GBIC	21484	26315	24782
PFRDA	Not Available	47793	Not Available

Data does not include complaints related to corporate governance/ listing norms etc.

Table 26: *Medium of receipt of complaints (excluding queries) at SEBI*

Medium	2014-15	2013-14	2012-13
Online/Web	23,582	18,828	26,352
Paper based	14,860	14,722	16,059

Data includes complaints related to corporate governance/ listing norms etc.

Table 27: *Complaints (excluding queries) outstanding at the end of year*

Agency	2014-15	2013-14	2012-13
RBI	3,778	3,307	5,479
RBI (NBFC related)	166	159	148
SEBI*	9,147	11,410	23,725
GBIC	6,782	9,617	8,601
IRDAI	8,208	2,014	2,459

**Data includes complaints related to corporate governance/ listing norms etc.*

Table 28: *Medium of receipt of complaints (excluding queries) at IRDAI in 2014-15*

Medium	Number of complaints received	Percentage out of total complaints
Telephone	7297	2.15%
Email	10658	3.14%
Letter	5763	1.70%
Fax	0	0.00%
Walk-in	0	0.00%
IGMS portal	7692	2.26%
Insurer's portal	308270	90.75%
Total	339680	

Table 29: *Queries received at PFRDA's CGMS*

Medium	2013-14	2012-13	2013-14
Email	27,953	39,314	44,134
Letter	7,694	7,993	9,574

Table 30 provides the data on the number of calls received by redress agencies through their helplines.

Table 30: *Helpline call volume*

	2011-12	2012-13	2013-14	2014-15
SEBI	22,031*	1,51,022	1,27,374	1,62,914
PFRDA (CRA)	66,706	1,36,429	1,41,657	NA
IRDAI	1,15,127	1,37,039	1,58,430	1,49,469

*Helpline operation of SEBI started from December 2011

Table 31: *Age analysis of complaints (excluding queries) at RBI*

Pending up to	June 30, 2012	June 30, 2013	June 30, 2014
1 Month	2701 (3.42%)	3281 (4.36%)	2432 (3%)
1-2 Months	1655 (2.13%)	1675 (2%)	838 (1%)
2-3 Months	277 (0.35%)	492 (0.60%)	36 (0.04%)
More than 3 Months	9 (0.1%)	31 (0.04%)	1 (0.001%)
Total Pending	4642 (6%)	5479 (7%)	3307 (4%)
Complaints handled	77507	75183	82052

Figures in bracket indicates percentage to complaints handled during respective years.

Table 32: *Age analysis of complaints (excluding queries) redress at SEBI (from the advent of SCORES)*

Days	Complaints resolved	Percentage of complaints redressed
0-30	66353	49%
31-60	22442	17%
61-90	12672	9%
91-120	7465	6%
121-180	9262	7%
181-360	11153	8%
More than 360	5508	4%
Grand Total	134855	100%

SCORES has been operational since 2011

Table 33: *Period of complaint (excluding queries) pendency at IRDAI at the end of 2014-15*

Days	Complaints Pending	Percentage
Less than 15 days	2872	34.99%
16-30 days	527	6.42%
More than 30 days	4809	58.59%
Total Pending	8208	

Table 34: *Number of awards issued by banking and Insurance Ombudsman*

Year	Banking Ombudsman	Insurance Ombudsman
2011-12	327	3605
2012-13	312	2760
2013-14	207	3560
2014-15	87	6089

F.6. Consumer Courts

Box 14: Data on workload at Consumer Courts in India

Table 35: Year-wise filing and disposal in Consumer courts

Commission ^a	2012		2013		2014	
	Filed	Disposed	Filed	Disposed	Filed	Disposed
NCDRC Commission	6117	5431	6251	6073	6658	6980
SCDRC (Aggregate)	35534	34806	34239	38699 ^b	16366	12377
District Commissions (Aggregate)	149121	139330	136303	130648	63051	56508

Table 36: Funds allocated and utilised under Consumer Awareness Programmes including “Jago Grahak Jago” campaign

S.No ^c	Year	Budgeted Expenditure (Rs. crore)	Expenditure (Rs. crore)
1.	2009-10	84.00	70.83
2.	2010-11	80.67	80.58
3.	2011-12	87.43	85.65
4.	2012-13	80.00	58.00

^aData as answered by Minister of Consumer Affairs, Food and Public Distribution in Lok Sabha for Unstarred Question No. 2169 on 10.03.2015. Data does not include many state and district commissions for some or all the years.

^bDisposal is higher than cases filed during the year, since pending cases of previous years were taken up.

^cData as answered by Minister of Consumer Affairs, Food and Public Distribution in Lok Sabha for Starred Question No. 208 on 12.03.2013.

G. Primary consultant: Deliverables and Schedule

This section states the detailed scope of work required and the deliverables for the project. All deliverables must meet the requirements stated in the sections before it.

The Consultant should provide cost-benefit analysis of alternatives to justify the proposed solutions/ approach.

G.1. Schedule for consultant deliverables

- D- 1** T+2 Weeks - Project Inception Report.
- D- 2** T+8 Weeks - Report on organisational design and human resource.
- D- 3** T+14 Weeks - Report on business strategy and processes.
- D- 4** T+18 Weeks - Report on information technology and infrastructure.
- D- 5** T+20 Weeks - Report on business model.
- D- 6** T+20 Weeks - Report on physical infrastructure assessment.
- D- 7** T+22 Weeks - DPR.
- D- 8** As per DPR/PMU - Implementation support.
- D- 9** T+44 Weeks - User manuals/ policies.
- D- 10** Phase III - Go-live and Project Stabilisation Support.

G.2. Schedule for consultant payments

1. Payment schedule (*90 per cent of the contract price*)
 - a) Approval of D-1 to D-4 - 70 percent of phase 1

- b) Approval of D-5 to D-7 and completion of phase 1 - 30 percent of phase 1
- c) Completion of IT systems development - 50 percent of phase-2
- d) Completion of physical infrastructure procurement, recruitment and induction, user manual and policies and completion of phase-2 - 50 percent of phase 2
- e) Approval of month 3 report of phase 3 - 50 per cent of phase 3
- f) Approval of month 6 report and completion of phase 3 - 50 per cent of phase 3
- g) *On Completion of contract (including any extension of phase 3) - 10 per cent of total contract price. Payment for extension period shall be released on a monthly basis. Proportionate payments shall be adjusted from each phase to keep 10 per cent of total contract price as final payment.*

G.3. Project Inception Report

The consultant shall come out with a programme management strategy and roadmap for implementation of the project taking into account the goals and objectives of the FRA.

The project inception report must present an integrated view of the resourcing plan, project management strategy, project deliverables and dependencies within the project deliverables, planned completion dates, progress indicators /monitoring tools and other relevant information. It should propose a roadmap for all the deliverables.

Deliverable 1 (D-1): Project Inception Report.

G.4. Organisational design and human resource

The Consultant must aim for a design that maximises individual team member's sense of accountability and responsibility for the end to end process. The team at the FRA will need to bring deep and diverse experience across industry and academics. It would require specialists from legal profession, financial sector, IT sector, consumer protection domain, academia and other relevant sectors.

The report will:

1. contain roll out plan for:
 - a) recruitment till for go-live stage and for 12 months thereafter,
 - b) training, in line with the job descriptions,
2. allow FRA to monitor progress against the milestones set for implementing the proposed rollout, and make course corrections, if required.
3. include:
 - a) detailed workflows of FRA's functions,
 - b) business and functional design of the divisions,
 - c) each major and minor function in its correct location relative to other functions by balancing effectiveness and efficiency, short range and long range, autonomy and control,
 - d) reporting lines for all internal functions and roles and external interfacing with regulated entities in a formal structured manner,
 - e) organisation design and progression of the organisation structure from the initial stage to a steady state,
 - f) human resource plan and ensure that the proposed plan is aligned to FRAs strategic goals and business plan,
 - g) estimated human resource requirement and cost. The estimation would be required till steady state and explain its evolution over time,
 - h) impact of transition from current redress mechanisms under financial sector to the FRA.
 - i) suggestions for optimum use of shared services and/ or outsourcing,
 - j) define purpose, Key Result Area (KRA)s and Key Performance Indicator (KPI)s for each organisation function and role,
 - k) identify positions and provide job descriptions,
 - l) recommend compensation structure and include compensation benchmarks,

- m) recruitment, induction and training process,
- n) performance management system and decision-matrix for performance evaluation,

Deliverable 2 (D-2): Report on organisational design and human resource.

G.5. Business strategy and processes

FRA will be a key feature of consumer protection regime for the financial sector in India. The Consultant's recommendations will consider the growth and capacity demands on the FRA, over a period. The Consultant will design operational strategy, plan and processes for each of the functions of the FRA along with a set of rules and regulations required for the FRA as maybe required to implement the IFC/applicable legislative provisions. These processes and rules would cover all the functions of the FRA including:

1. screening and acceptance of complaints: web based, telephonic helpdesks, front end kiosks;
2. mediation: telephonic, through outreach programs;
3. adjudication,
4. enforcement: tracking, follow up and closure;
5. board functioning: procedures;
6. accountability and reporting mechanism,
7. external reporting,
8. human resource,
9. financial systems,
10. audit and admin,
11. risk assessment and risk management,
12. BCP and Disaster Recovery Planning (DRP)

The Consultant will:

1. recommended a plan detailing how resources should be allocated and activities performed, recorded, and monitored by the FRA;
2. defines how risks associated with the process will be identified, analysed, prioritised and managed;
3. recommend procurement / development of appropriate IT solutions;
4. recommended optimum automation of processes;
5. recommend appropriate strategies for outsourcing;
6. ensure processes and rules contain requisite features for the FRA to:
 - a) measure its productivity, timeliness and service quality levels;
 - b) develop performance benchmarks;
 - c) transparently and timely publish details of its performance against the targets and benchmarks, along with appropriate explanations;
 - d) prepare and publish in a timely manner its annual report containing a review of its performance against the targets and benchmarks along with other requirements that may be required in the legislation or specified by the regulators;
 - e) implement sound practices on regulatory governance as per Handbook on adoption of governance enhancing and non-legislative elements of the draft FRA, published by GOI in 2013;
 - f) implement financial planning, budgeting, control, accounting and reporting;
 - g) implement tax and other applicable regulatory compliances;
 - h) process procurement of goods and services;
 - i) have appropriate BCP and DRP in place; and
 - j) periodically maintain, review and revise systems and processes.

Deliverable 3 (D-3): Report on business strategy and processes.

G.6. Information technology and infrastructure

The FRA will extensively rely on technology to overcome the challenges posed by high volume of workload and at times, lengthy processes to deliver speedy and inexpensive redress. The importance of IT has been highlighted in the *Overview* section of this document.

FRA envisages a full-fledged CRM system integrated with a CMS system to manage its functioning and workflow efficiently.

The FRA will enable consumers to complain against individual FSPs, provide information and track the complaint status.

The Consultant report will:

1. recommend the strategy, design and plan to implement the technological and infrastructural requirements (software and hardware) for the FRA.
2. contain a technology oriented workflow covering:
 - a) handling queries and complaints,
 - b) screening of complaints,
 - c) registration of complaints,
 - d) allocation of complaints to mediators,
 - e) disposal at mediation stage,
 - f) escalation to adjudication,
 - g) decision orders at adjudication stage,
 - h) tracking compliance with the disposal/ decision and
 - i) final closure.
3. provide recommendations covering:

- a) CRM,
 - b) CMS,
 - c) IT requirements (physical and software) for all functions including the support functions like human resource, administration management, financial accounting and budgeting,
 - d) overall technology design integrating the workflows of the FRA,
 - e) document management including management and recording of complaints, queries and evidence, if any
 - f) data analytics requirements at various levels,
 - g) data exchanges with relevant external entities including FSPs and the regulators (RBI, SEBI, IRDAI, PFRDA and Self Regulating Organisation (SRO)s like NSE and BSE.
4. detail the functional and technical specifications of all computing IT systems and supporting infrastructure including quantities required for implementation; which have to be procured for development and deployment;
 5. integrate all the office and business functions of the FRA in the technological solution. Some of the important considerations are enumerated as under:
 - a) Evaluation of open source technologies platforms vis-a-vis proprietary ones.
 - b) Evaluation of procurement and customisation of existing CRM and CMS solutions vis a vis development of a new system.
 - c) Paperless processes.
 - d) Minimal human interface with external persons for processes such as registration of complaints, screening of complaints, allocation of complaints to appropriate departments etc.
 - e) Provision for requirement of all communication regarding queries/ complaints with consumers, FSPs, regulator(s) and other relevant agencies to be logged and through IT system for easy future access.
 - f) Complete interoperability and unrestricted flow of information between regulator, FDMC and FRA systems.

- g) Technology enabled HR, financial and all other office processes and systems.
 - h) Provision for setting system based alerts/steps to flag items, monitor progress and action events.
 - i) Data protection and security policies to protect from external and internal attacks and threats.
 - j) Provision for dashboards and customised reports for different levels of team/management.
6. address BCP and disaster recovery with due consideration of the risk management.
 7. address mechanism/process for the maintenance of the systems and its documentation.
 8. provide detailed cost estimates for the proposed requirements,
 9. **provide RFPs and related documents** to procuring, evaluating and selecting suitable IT vendor/ solutions (hardware and software). The RFPs will have to be complete in all respects for end to end bid management, comply with the procurement guidelines of the GOI.

Deliverable 4 (D-4): Report on information technology and infrastructure.

G.7. Business model

The Consultant must provide a business model with justifications for proposed revenue streams and specify the sources and uses of funds. This model include:

1. Three year business plan with explanation and justification of assumptions. The business plan should have three scenarios – likely, higher workload, lower work load.
2. Transition plan from the current redress mechanisms under financial sector to the FRA.
3. It must consider the following in developing the business model:
 - a) Data on complaints raised through financial regulators and the banking and insurance ombudsman in India;

- b) Number of financial service providers;
- c) Requirement of funds for different activities for meeting the short and medium term goals set-forth for FRA.
- d) Impact of the alternative business models on FRA, FSPs, financial regulators and retail consumers.

Deliverable 5 (D-5): Report on business model.

G.8. Physical infrastructure assessment

The Consultant will formulate the requirement and plan for functional and technical requirements specifications for physical infrastructure FRA. The report must:

1. take into account various aspects related to site (Central office) selection; architecture and space planning; safety systems (including government regulations), security related factors; and flexibility, scalability, and modularity, conforming to industry standards.
2. effective approach to provide cost efficient district level access to consumers to lodge complaints, provide information and track progress.
3. be based considering the organisation chart (including the scale up to steady state) proposed, IT systems proposed and other business processes and operations required for the proper functioning of FRA.
4. provide description and detail of physical infrastructure required to be procured for the go-live stage;
5. detail size of office space to be procured considering all the requirements;
6. include breakup of the cost estimates.

Deliverable 6 (D-6): Report on procurement of physical infrastructure.

G.9. DPR

The DPR would essentially be a project management plan providing an integrating view of the deliverables, along with the cost sheets associated with achieving the deliverables. It must provide an integrated view of the major deliverables, critical paths from existing setups and the dependencies within the individual deliverables that would lead to the systematic setting up the FRA with planned completion dates, progress indicators and budgetary requirements.

The DPR will be the basis for obtaining the requisite sanction of funds for undertaking the project implementation. The DPR shall list out each project component, need and criticality for the same, resource requirements and the cost of implementation of each project component (detailed costing sheets will have to be prepared by the consultant). The DPR shall inter-alia contain the following:

1. Implementation plan and steps for all internal functions and systems
2. Financial estimates, for the complete implementation of all the steps including IT systems and procurement of office space including (a) Capital Expenditure Estimates (Capex) and (b) Operational Expenditure Estimates (Opex).
3. Detailed project schedule defining key phases, interdependencies, critical paths and key milestones, from design, procurement, supply, construction, installation, commissioning, and Go-Live.

The DPR being a dynamic document shall be reviewed periodically and updated by the Consultant.

Deliverable 7 (D-7): DPR.

G.10. Implementation support

Procurement of IT vendor

The Consultant will:

1. provide project management services for procurement of IT vendor(s)/ solution(s) in compliance with rules and procedures of the Government of India.
2. support the selection/bid process of FRA, including inviting applications, evaluation and selection of the vendor(s)/ solution(s).

Support for procurement of physical infrastructure

The Consultant will support the FRA in procurement of the physical infrastructure (central office and other locations, as maybe envisaged, in compliance with rules and procedures of the Government of India. The actual procurement may be delayed and the Consultant is advised to note the same.

Support for recruitment and induction

The Consultant will provide project management support for recruitment and induction including:

1. helping establish FRA as the *Employer of Choice*,
2. distributing job specifications,
3. managing responses and correspondence,
4. validating applicants,
5. arranging interviews and assessments,
6. on-boarding recruits.

It should be noted that the Consultant will be required to provide support to managers in implementing such programs. This will include, but not be limited to: on-boarding and training, office orders/ circulars, among others;

IT development and testing support

The Consultant will support the FRA in ensuring the IT solutions developed as per requirement. It will:

1. provide inputs to the IT vendor/ solution provider(s),
2. provide FRA suggestions and input on solutions/ steps proposed by the IT vendor/ solution provider(s),
3. test functionalities, provide test reports, ensure bugs and gaps are fixed and sign off on the same,

4. ensure timely completion and go-live of the IT solutions within the agreed budget that meets the requirements of the FRA,
5. manage the process of training on the solution with the IT solution provider and the FRA.
6. manage handover of the solution from the vendor to the FRA.

Deliverable 8 (D-8): Implementation support.

G.11. User manuals/ policies

The IT solution provider shall prepare the IT user manual. The Consultant will prepare other user manuals based on the final processes. These shall be mostly based on rules and processes drafted in Phase-1 of the project and might contain some improvements based on experience in the implementation phase. The main value addition in the process manuals as described in this section is that these would be user friendly, tailored for the users in mind. These shall include:

1. Complaint and query handling policy
2. Mediation and adjudication policy
3. Guide for consumers
4. Guide for FSPs
5. Policy on complaints handling against FRA
6. HR policy
7. Security policy
8. Procurement policy
9. Accounting and budgeting policy
10. Policy for employee expenses

Deliverable 9 (D-9): User manuals and policies.

G.12. Project stabilisation support

The Consultant shall focus on glitch free operations, benchmarking implementation against designed processes, identifying gaps and areas for improvements and implementing the agreed improvements. The consultant team shall support the FRA in its day to functioning in close consultation with the leadership team.

Deliverable 10 (D-10): Project stabilisation support.

H. Review of past consultant RFPs

SEBI - RFP for appointment of Independent Consultant for re-designing SEBI 's functions, role, structure and vision dated April 4, 2012

1. The organisation capacity of SEBI is larger compared to FRA, which will be a new agency. The implementation support phase for SEBI was for eighteen months while it is proposed at twelve months for the FRA. The work envisaged for the FRA is designing strategies for all the components (OD/HR) from the beginning, rather than re-designing or re-engineering the existing organisation/ components, as is the scope in SEBI's RFP.
2. The total cost of the project is approximately Rupees 1.5 crore comprising seven deliverables as per the TOR.
3. SEBI RFP is relevant for FRA deliverable D2 and parts of D4, D8 and D10.
4. Equivalent number of SEBI deliverables mapped to FRA are 2.75. (Refer *Table 38*).
5. A cost of Rupees 0.94 crore is estimated for the relevant deliverables for FRA) as under:

Table 37: *Extrapolation of cost from past SEBI RFP*

S.No.	Description	Cost (INR in crores)
1.	Total SEBI project cost	1.50
2.	Cost of 2.75 equivalent deliverables (Total Project Cost/Number of deliverables*Number of common deliverables)	0.59
3.	Cost increase on account of annual increase in fees (10% Compounded Annual Growth Rate (CAGR) basis) of professionals - 46.41% over last 4 years	0.22
	Cost relevant for FRA	0.86

Table 38: Comparison: SEBI RFP

S.No.	SEBI RFP	FRA deliverables
	<p>Organisational structure Analyse SEBIs existing organisational structure to identify overlapping of functions and activities among Departments/ Divisions. Design appropriate structure/suggest changes in existing structure to support objectives and functions of various Departments/ Divisions.</p>	
1.	<p>Suggest measures to develop efficient and effective communication and collaboration among departments/divisions of restructured organisation. Identify the possible level of decentralisation in SEBI functions of supervision, inspection, enforcement etc., with regard to strengthening the capabilities of Regional and Local Offices and to improve their contributions towards broad objectives of the organisation, etc.</p>	<p>D-2: Organisational design and human resource plan. Equivalent SEBI deliverable: 0.75.</p>
	<p>Human Resources Review of HR structure. Evaluate adequacy of existing staff in terms of their strength, expertise, skills in meeting the present and future needs of SEBI. Examine current recruitment process & practices and design a sustainable incentive structure for attracting and retaining good quality talent.</p>	
2.	<p>Suggest an appropriate model for succession planning, reporting, rewards and recognition, capacity building and identify training needs accordingly. Review of performance management system, staff evaluation and suggest alternatives.</p>	<p>Included in D-2. Equivalent SEBI deliverable: 1.</p>

S.No.	SEBI RFP	FRA deliverables
3.	<p>Technological Resources</p> <p>Assessment of current deployment of technological resources.</p> <p>Provide inputs on relevant best practices and usage of technology used by other financial regulators for carrying out similar activities in surveillance systems, investigations, feedback system, investor education, etc.</p> <p>Identify technology resource requirements of various departments/divisions and accordingly develop a strategy for IT Department to meet their expectations in capacity building.</p> <p>Suggest action needed for capacity building in terms of technological resources for meeting the current and future requirements.</p> <p>Target application and infrastructure deployment.</p> <p>A suitable roadmap for IT implementation and investment.</p>	<p>D-4: Information technology and infrastructure. Equivalent SEBI deliverable: 0.5.</p>
4.	<p>Implementation</p> <p>The consultant, along with SEBI officials, will identify the recommendations that require consultant support for implementation and those which can be implemented without consultant support through internal initiatives.</p> <p>The consultant will continue to provide program management services for the entire change program including monitoring and reporting of program implementation for a period of 18 months.</p>	<p>D-8: Implementation support and Phase III - Go-live and Project Stabilisation Support. Equivalent SEBI deliverable: 0.5.</p>

UIDAI Consultancy Services to UIDAI for setting up of Central ID Data Repository (CIDR) and Selection of MSP issued in April 2009.

1. The project involved setting up a new technology based system geared to handle scale. The design of Consultant output is provided in a manner similar to what is envisaged for the FRA. Eleven of the 13 deliverables are relevant for the FRA. Some of these need adjustment to be comparable.
2. The total cost of the project is approximately Rupees 7.05 crore comprising 13 deliverables as per the TOR.
3. Accordingly, equivalent of 9 deliverables of UIDAI RFP are mapped to the proposed deliverables of FRA (covering all except D-2, parts of D-3 and D-9).
4. A cost of Rupees 6.87 crore (exclusive of Service Tax and OPE) is estimated for the relevant deliverables for FRA) as under:

Table 39: *Extrapolation of cost from UIDAI RFP*

S.No.	Description	Cost (INR in crores)
1.	Total UIDAI project cost	7.05
2.	Cost exclusive of OPE and Service Tax (applicable rate 10.3%)	5.60
2.	Cost of 9 equivalent deliverables based on total cost (Total Project Cost/Number of deliverables*Number of common deliverables)	3.88
3.	Cost increase on account of annual increase in fees (10% CAGR basis) of professionals - 77.15% over last 6 years	2.99
	Cost relevant for FRA	6.87

Table 40: Comparison: UIDAI RFP

S.No.	UIDAI RFP	FRA deliverables
1.	Programme Management Strategy, Components, Timelines, Roadmap and Implementation Plan	D-1: Project Inception Report. Equivalent UIDAI deliverable:1
2.	Strategy, Business Models, Business Cases, and Potential Revenue Streams for CIDR	Covered in D-5): Report on business model. Equivalent UIDAI deliverable:1
3.	Implementation Strategy and Implementation Roadmap for the CIDR	Covered in D-3: Report on business strategy and processes. Equivalent UIDAI deliverable:1
4.	Functional and Technical Requirements Specifications for the non-IT (physical) infrastructure of the CIDR	D-4: Report on procurement of physical infrastructure. Equivalent UIDAI deliverable:1
5.	Functional and Technical Requirements Specifications for the IT systems of the CIDR	D-6: Report on information technology and infrastructure. Equivalent UIDAI deliverable:0.5
6.	D-7: DPR for implementation of the CIDR	D-7: DPR. Equivalent UIDAI deliverable: 1.
7.	D-8: RFPs: 1) RFP 1: Selection of Data Center Construction Agency to design, construct, and commission the CIDR facilities (physical infrastructure) 2) RFP 2: Procurement of interim co-location facilities for the CIDR 3) RFP 3: Selection of Managed Service Provider (MSP) to implement, and manage the CIDR	Part of this is applicable in D-4: Report on Information Technology and infrastructure and D-8: Implementation support. Equivalent UIDAI deliverable:0.5
8.	D-9: Bid Evaluation Reports	Part of this is applicable in D-8: Implementation support. Equivalent UIDAI deliverable:0.5
9.	D-10: Risk Management Strategy and Plan for the CIDR	Covered in D-3: Report on business strategy and processes. Equivalent UIDAI deliverable:1
10.	D-12: DRP and BCP for CIDR	Covered in D-3: Report on business strategy and processes. Equivalent UIDAI deliverable:1
11.	D-13: Project Management reports and services for the CIDR, including implementation and post-implementation monitoring, validation, and certification	Covered in D-8: Implementation support and D-10: Phase III: Go-live. Equivalent UIDAI deliverable:0.5

I. Consultations: List of Domestic Regulators and Agencies with Redress Functions

- Mr. Subroto Das, Chief General Manager and Mr. Mihir Upadhyaya, Deputy Manager, PFRDA, Delhi.
- Mr. Pardha Saradhi, Senior AD, Grievances - Non Life and others (CAD-IGMS Team), IRDAI, Delhi.
- Ms. Sandhya Baliga, Insurance Ombudsman, Delhi.
- Ms. Ramma Bhasin, Secretary General and Mr. Y.R. Raigar, Secretary, GBIC, Mumbai.
- R. Sathish, Deputy General Manager and Mr. Patil, Customer Education and Protection Department (CEPD), RBI, Mumbai.
- Ms. Rosemary Sebastian, Chief General Manager, Banking Ombudsman (Maharashtra & Goa), Mumbai.
- Ms. Chhavi M. Kapoor, Deputy General Manager and Mr. Samrat Dutta, Office of Investor Assistance and Education (OIAE), SEBI, Mumbai. Field visit to SEBI consumer helpline, Turbhe, Navi Mumbai.
- Mr. Mandar Karlekar, AVP, NSDL along and Mr. Mihir Upadhyaya from PFRDA, Mumbai.
- Dr. V. R. Narasimhan, Chief Regulations; Mr. Suprabhat Lala, Vice President (Regulatory), Mr. Janardhan Gujran, Chief Manager, ISC and Ms. Sharlene Vaz, Manager, ISC, NSE, Mumbai via video conference.
- Mr. Anil Srivastava, Registrar, NCDRC, Delhi.

J. Consultations: List of international Regulators and Agencies with Redress Functions

- Mr. Jamie Orchard, Head, Investigation Department/ Executive GM and Ms. Silvia Randa, Senior Manager, Strategy & Analysis, Australian FOS via video conference.
- Mr. Christopher Johnson, Deputy Assistant Director, Consumer Response, Ms. Darian Dorsey, Chief of Staff for Consumer Response, Ms. Cheryl Parker Rose, Assistant Director, CFPB Office of Intergovernmental Affairs, CFPB, USA via audio conference.
- Ms. Wendy E. Kamenshine, Ombudsman, CFPB Ombudsman, USA via audio conference.
- Ms. Caroline da Silva, Deputy Executive Officer: Financial Advisory and Intermediary Services (FAIS) at the Financial Services Board, South Africa (Meeting at Mumbai).
- Mr. Douglas Melville Principal Ombudsman and Chief Executive at Channel Islands Financial Ombudsman; former Ombudsman for Banking Services and Investments (OBSI), Credit Union Central of Canada (now Canadian Credit Union Association) (Meeting at Mumbai).
- Dr. Daeshik Won, Deputy Director General and Mr. An Sang Hyun, Associate, Planning and Co-ordination Team, Consumer Protection Department, Financial Supervisory Service, South Korea.

J.1. Consultation with Consumer Groups

Background

In the fourth meeting of the Task Force of the Financial redress Agency (FRA) held on 04.09.2015 the Task Force discussed the idea of interacting with members of consumer groups, particularly those dealing with financial consumers, to understand the demand-side issues in the delivery of redress services. It was agreed that the research team at the National Institute of Public Finance and Policy (NIPFP) would engage with consumer groups and get their feedback.

The NIPFP team prepared a list of prominent consumer groups working in India and contact them to share their views on (a) Challenges being faced by financial consumers in getting redress against financial service providers; and (b) Solutions that may be considered while designing FRA. A list of all the organisations that were contacted by the team is given in Annex 1.

The following organisations responded to the invitation to share their feedback with the Task Force:

1. Consumer Unity & Trust Society (CUTS), Jaipur
2. Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi
3. Citizen Consumer and Civic Action Group (CAG), Chennai
4. Mumbai Grahak Panchayat (MGP), Mumbai
5. Moneylife Foundation, Mumbai

A summary of the feedback received from each of these organisations is given below.

Summary of feedback

CUTS

Challenges with current systems:

1. Consumers face the hurdle of knowledge constraint about where to approach

for filing the complaint. Both illiterate as well as literate financial consumers suffer the same situation, owing to lack of awareness and enthusiasm to file the complaint owing to complicated and lengthy procedures.

2. Often, financial institutions do not have appropriate consumer redress grievance cell in place and where such cells exist; little information is available about the process to approach these in the public domain.
3. The dispute redressal mechanisms under the Consumer Protection Act, 1986 are over loaded with cases and increased pendency. Delay is not limited to consumer forum only but can be seen in the Redressal System formulated by the Regulators as well.
4. In the case of all the present financial regulators, three functions are rolled into one body: quasi-legislative (drafting regulations), quasi-executive (enforcement of applicable rules and regulations to its constituents) and quasi-judicial (conducts hearings and passes orders on various disputes, with in-house appellate forum). This raises the issue of neutrality and independent functioning of banking ombudsman and redressal mechanisms with other regulators.
5. Few other challenges, which a financial consumer often faces while dealing with financial service providers (FSPs) are:
 - Consumers faces lack of professional diligence from the side of FSPs;
 - Consumers faces lack of protection against unfair contract terms, unfair conduct and personal information;
 - Consumers face lack of requirement of fair disclosure
 - In addition unsophisticated financial consumers also face the challenge of:
a) receiving suitable advice; b) being protected from conflicts of interest of advisors; and c) being provided with timely and understandable information to make responsible decisions about transactions involving consumer financial products and services

Proposed solutions:

1. It needs to be made compulsory for the financial institutions to hold pre-purchase workshops where all the procedures and all the terms and conditions attached with the product should be transparently explained to the consumers.
2. There should be provision for holding post purchase workshops to deal with the

problems of the consumers who are facing problems after making of a purchase. These meetings can be organised periodical by giving proper information to the consumers.

3. There is a problem of access to redress as there are very limited number of s authorities who are located mostly in capitals. There is also a problem of access to their offices which are often housed within the building of the regulator.
4. It is suggested that there should be District Level FRA centres not just tele callers sitting somewhere. This would be important to the build trust of the consumers on FRA. If the consumer access points of FRA are not able to inspire confidence and provide appropriate feedback (for any reason whatsoever V such as lack of internet connectivity), consumers might not be able to develop trust on such institutions. Relevant lessons can be drawn from the redress mechanisms in the electricity sector.
5. While the FRA would be manned by persons appointed by financial regulators and it would provide feedback to the regulators in rule making, it should act as a completely independent and not subservient body to the regulators.
6. The conflict of interests amongst employees of FRA and financial service providers must be avoided, yet they must be professionals, having experience of working in financial sector, to enable them perform their functions. Adequate checks and balances need to be put in place to ensure that FRA employees perform their tasks impartially and diligently.
7. There has to be mechanisms to educate and generate awareness among the common consumers about the available redressal mechanisms and to encourage consumers to file complaints, if aggrieved. Thus, not only there is a need to formulate schemes to educate consumers and also provide adequate funding provisions to civil society organisations working in the financial sector.
8. In a country like India, though designing FRA as a technologically modern organisation is appropriate for urban middle class consumers, rural areas having limited power supply/internet access, digital handling of the documents/online registration complaints is a matter of concern. Hence alternate mechanisms also have to be in place to handle complaints from rural consumers.
9. Task Force must come out with an action plan of putting recommendations to practice. The costs involved in implementing the recommendations, the sources of finances and the expected benefits must be highlighted by the Task Force.
10. Regulatory impact assessment and regulatory evaluation of any law made by regulator is one form of accountability. A sunset clause must be provided to

ensure periodic review regulations and processes of FRA.

VOICE, Delhi

Challenges with current systems:

1. Consumers are often made victims of mis-selling as financial products are sold to them without furnishing full facts and detailed information on a standard formatted mechanism.
2. Most of the brochures issued by the FSPs are not printed/published in the local vernacular.
3. Banks and insurance companies are not following in spirit the procedure followed by mutual fund companies of issuing a detailed Scheme Information Document (SID) with a standardized format of information pertaining to the product offered for sale to the public.
4. The current redressal system is fractured as the consumer grievances relating to insurance and banking are handled by separate ombudsman systems. The grievances relating to Non Banking Finance Companies (NBFCs) and financial deposits raised by companies from the public do not have a well defined redressal mechanism.
5. Fragmented architecture which can either lead to overlap in regulation or absence of adequate regulation.
6. The grievance redressal framework available under the Consumer Protection Act (CPA) is increasingly becoming insufficient to deal with complaints relating to financial sector.
7. At present, consumers cannot approach a common helpline to obtain more information on a financial product or seek clarification on their concerns/apprehensions.

Proposed solutions

1. An overhaul in the grievance redressal framework with a unified Financial Redressal Agency can help solve many of the issues of the current fragmented system. The unified ombudsman should serve as a simple, speedy non-litigative compulsory dispute resolution system to enhance consumer trust in the Indian financial services market.
2. Self-regulation by financial service providers and industry associations is desirable

within the financial sector. This could be in the form of code of conduct, citizen charter or by following a set of best practices.

3. Consumer groups should be involved in awareness campaigns, dialogues and feedback to policy makers and advancing the interests of consumers in general.
4. Need to establish a financial helpline to encompass the entire financial product sale which could be a combination of online and offline helpline. The helpline could also be made effective to inform consumers if the product offered to him does purport to be an authorised product on sale (genuine financial product) or a Ponzi scheme. The common helpline should provide reply to the caller in local vernacular language in addition to English and Hindi.
5. Consumers should be given the right to reject a financial product after its purchase (within a reasonable period of time) if they realise that the product is not suitable or has been mis-sold to them. The free-look cancellation period should be available to the consumer from the date of actual delivery of the financial product directly to the consumer.
6. Consumers should be protected from leakage/disclosure of data either by access from FSP's own personnel or their authorized agents. Data security should also be made applicable to closed accounts.
7. Every FSP should be given a definitive Turn Around Time for resolving/finding solution to the complaint or claim.
8. Consumers should be adequately compensated for FSPs causing reputational loss or loss of credit in the market, even if even the rejection or decline in providing a service did not involve any financial loss to the consumer.

CAG, Chennai

Proposed solution:

1. There should be a mandatory two tier in-built redress mechanism, District and State-wise, within each financial institution. The contact details of these officials should be prominently displayed in all branches of the institution and should be made available on the home page of their website. This information should be periodically published in national dailies as well.
2. Time bound redressal should be mandated. Time lines for each level for resolving complaints should be mentioned and if the issue is not resolved to the consumer's satisfaction, then, he/she may approach the FRA. The Authorities concerned

should be made answerable if a genuine issue is not resolved within the scheduled time-frame.

3. Procedure for filing complaints should be simple and uniform. The processes should not be intimidating and thus act as deterrent to the already aggrieved consumer.
4. Despite settling dues with financial companies, scores maintained by credit information companies continue to remain low for an indefinite period of time. Consumers do not know where to go to get the issue resolved. This needs to be looked into. Appropriate timelines should be incorporated and relief provided in case of delay.
5. Many consumers default in repaying their loan due to circumstances beyond their control, though their intention is to repay. The Malaysian Central Bank has introduced a robust system through the creation of a special committee to deal with such issues. We should also consider adopting this arrangement, wherein, on hearing both sides - the defaulter and the financial institution, the committee suggests a realistic solution for the aggrieved party to repay in installments. Such committees should be formed within the FRA on a State-wise basis to help genuinely distraught defaulters.

MGP, Mumbai

MGP provided comments on the draft Indian Financial Code (IFC) prepared by the Financial Sector Legislative Reforms Commission, of which the provisions relating to FRA form a part. Several of these comments are general in nature and cover areas other than those relating to consumer protection and redress. These include, comments relating to the architecture, language and drafting of the draft IFC. The following are some of their comments relating to FRA:

1. Definition of retail consumer - The definition under the draft IFC gives sweeping and unbridled power to the Regulator to specify the value of the financial product or service that is relevant for defining who would be classified as a retail consumer. Such limits specified by the Regulator without any guidance in the Act will amount to excessive delegation. It is suggested that no such limits should be specified and any end consumer of a financial product or service should qualify as a retail consumer.
2. Adjudicators and mediators - The minimum educational qualifications and tenure of adjudicators and mediators should be specified in the law.
3. The FRA does not provide any relief to the victims of the schemes floated by fly-by-night operators.

4. Registration with Regulator - Sec 123 of the draft IFC requires every financial representative and every employee of the financial service provider who interacts with consumers to register with the Regulator. This is an impractical suggestion.
5. Annual Reports of Banking Ombudsman (RBI), SEBI, IRDA of last five years, indicate that complaints are being redressed within reasonable time and there is not much pendency. We do not find a strong case to dismantle the existing sectoral regulatory mechanisms. Instead, the existing sectoral mechanisms need to further strengthened and modernized.

Moneylife Foundation, Mumbai The Moneylife Foundation shared links to certain articles written by the organisation on issues relating to consumer protection and redress and a note sent by them to the RBI on the right to suitability and the prevailing practice of mis-selling of financial products and services by banks. The following are some of the issues highlighted in these materials:

1. Securities and Exchange Board of India (SEBI) functions more like an 'in and out' mail system while dealing with investor complaints and grievances redressal. Despite repeated persuasion, investors' complaints filed with the market regulator either remain unheard, or are disposed off with vague replies.⁷⁷
2. Of the 75,183 complaints received in 2012-13, only half were found maintainable by the banking ombudsman. Even of these, 49% were rejected for various reasons such as the amount involved or not having followed the process of approaching the bank first. Significantly, in just 1% of the cases - 312 to be precise - was an order passed. With over 72% of complaints coming from urban areas, it is clear that lack of awareness about redress mechanisms is also a huge problem.⁷⁸
3. An analysis of the complaints rejected by the banking ombudsman in the year 2010-11 clearly brings out the need to completely overhaul the scheme to suit the changing profile of bank customers. The key reasons for rejection were⁷⁹:
 - 33% of the complaints were rejected as they had been referred to the ombudsman without first approaching the bank concerned.
 - 17% rejection was because the complaints related to areas which did not

⁷⁷Does SEBI really pay any heed to investors' complaints?, 02/09/2011, <http://www.moneylife.in/article/does-sebi-really-pay-any-heed-to-investors-complaints/19412.html>.

⁷⁸Banking Ombudsman is not working, 18/02/2014, <http://www.moneylife.in/article/banking-ombudsman-system-is-not-working/36391.html>.

⁷⁹Making the banking ombudsman more responsive to customers, 13/03/2012, <http://www.moneylife.in/article/making-the-banking-ombudsman-more-responsive-to-customers/24193.html>.

come under the purview of the scheme. This raises the question of whether there is scope to expand the areas to be covered by the ombudsman.

- 11% of the complaints were rejected on the ground that the ombudsman felt that there was no sufficient cause to complain.
 - 9% complaints were rejected for being too complicated and requiring elaborate evidence.
 - 5% of the complaints were rejected because they fell outside the jurisdiction of the ombudsman, who received the complaint.
4. Customer grievance redressal in the insurance sector has not drastically improved even after introduction of the new Integrated Grievance Management System. There is a need for proactive action against insurers and for IRDA to stop being just a facilitator. In cases where consumers approach the insurance ombudsman there is often a delay in getting a hearing. It can range from six months to one year after making a complaint. In some places the ombudsman's post gets filled after being vacant for over nine months. This increases the backlog of complaints.⁸⁰
 5. Moneylife conducted an online survey to collect evidence on how financial products and services are sold to consumers. Of the 1,060 responses, over 90% of the respondents reported being mis-sold a financial product or service. Over 75% of these were credit cards and as many as 66% complained of being mis-sold ULIPs.
 6. While sharing these survey results with the RBI, Moneylife made the following suggestions:
 - Moneylife Foundation believes that the Customer Charter will remain a motherhood statement unless there are severe costs and consequences to mis-selling financial products.
 - An internal ombudsman (at bank) as proposed by the RBI will not address this issue. RBI guidelines need to ensure the independence of the Ombudsman and make him/her accountable to the RBI and not to the bank.
 - RBI also needs to spell out the consequences of mis-selling. Mere rectification of the issue is not enough - the cost of escalating and fighting the

⁸⁰IRDA's consumer redress system: Lot of scope for improvement?, 12/02/2013, <http://www.moneylife.in/article/irdas-consumer-redress-system--1-lot-of-scope-for-improvement/31236.html>.

dispute plus a compensation or exemplary damages need to be provided.

List of Consumer Groups

The note inviting comments on current redress system and design of FRA was sent to the following organisations:

1. Consumer Unity & Trust Society (CUTS), Jaipur*
2. Consultative Group to Assist the Poor (CGAP)
3. Institute for Financial Management and Research (IFMR), Chennai
4. Moneylife Foundation, Mumbai*
5. Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi*
6. Consumer Guidance Society of India, Mumbai
7. Citizen Consumer and Civic Action Group (CAG), Chennai
8. Consumer Rights Education and Awareness Trust
9. Mumbai Grahak Panchayat, Mumbai
10. Consumer Coordination Council, Delhi
11. Consumer Education and Research Centre, Ahmedabad*
12. Consumers Association of India, Chennai
13. Indian School of Microfinance for Women, Ahmedabad*
14. Initiatives for Development Foundation, Bengaluru*
15. Swadhaar Finaccess, Mumbai*
16. Xavier Labour Relations Institute, Jamshedpur*
17. Aprajita Mahila Sangh, Indore*
18. Priyasakhi Mahila Sangh, Indore*

19. Dhan Foundation, Madurai*

* These 10 entities are approved applicants by RBI for registration of Institutions, Organisations and Associations for grant of Financial Assistance from the Depositor Education and Awareness Fund (DEA Fund), RBI Press Release 2015-2016/813 dated October 1, 2015.

Acronyms

ATM Automated Teller Machine 141

Australia-FOS Australia Financial Ombudsman Services 19, 38, 41, 45–47, 50, 51, 70, 134

BCP Business Continuity Planning 100, 161, 162, 165, 175

BO Banking Ombudsman 26, 57, 65, 74, 76, 132, 135, 136, 140–142, 145, 146, 149, 151–153

BSE Bombay Stock Exchange 36, 37, 164

CAGR Compounded Annual Growth Rate 171, 174

CEO Chief Executive Officer 87, 92

CEPD Customer Education and Protection Department 176

CFI Consolidated Fund of India 148

CFPB Consumer Financial Protection Bureau 37, 177

CGMS Central Greivance Management System 26, 134, 146

CIDR Central ID Data Repository 174, 175

CMS Complaint Management System 15, 18, 19, 48, 69, 77, 95, 97, 99–102, 163, 164

COO Chief Operating Officer 19, 85, 87

CPA Consumer Protection Act, 1986 110, 119, 120

CRA Central Recordkeeping Agency 26, 134, 146, 154

CRM Customer Relationship Management 15, 18, 19, 48, 69, 77, 95, 97–99, 102, 163, 164

DIS Department of Investors Services 36

DPR Detailed Project Report 91, 158, 167, 175

DRP Disaster Recovery Planning 161, 162, 175

FAIS Financial Advisory and Intermediary Services 177

FCA Financial Conduct Authority 42, 70

FDI Foreign Direct Investment 130

FDMC Financial Data Management Centre 95, 164

FO Financial Ombudsman 47, 48, 70

FOS Financial Ombudsman Service 37, 51, 59, 85, 88, 95, 126, 128, 129, 177

FRA Financial Redress Agency 2, 8, 11–25, 27, 29–32, 34, 35, 37–45, 47–49, 52–60, 66–69, 71–73, 75, 77, 78, 81, 82, 85–89, 91, 93, 95–97, 99, 101, 103–106, 110–121, 159–175

FSA Financial Services Authority 127

FSAT Financial Sector Appellate Tribunal 30, 45, 95

FSB Financial Services Board 70

FSLRC Financial Sector Legislative Reforms Commission 8, 11, 13, 14, 24, 40, 90

FSP Financial Service Provider 9–13, 15, 16, 18, 20, 22, 24, 25, 30–32, 35, 37, 38, 41–47, 50, 59, 69–73, 85, 86, 110, 112, 115–117, 130, 144, 146, 147, 163, 164, 166, 169

GBIC General Body of Insurance Council 57, 74, 76, 133, 140, 145, 149, 150, 153, 176

GBP Great British Pound 70

GIPSA General Insurers Public Sector Companies 150

GOI Government of India 11, 14, 18–20, 23, 24, 29, 55, 57, 69, 73, 77, 81, 85, 88, 91, 93, 95, 104, 133, 148, 162, 165

HR Human Resource 98, 99

IEPF Investor Education and Protection Fund 150, 151

IFC Indian Financial Code 14, 23, 25, 27, 29, 40, 47, 53, 57, 71, 90, 110, 113, 114, 117, 161

IGMS Integrated Grievance Management System 26, 133, 146

IGRM Investor Grievance Redress Management 76

IGRP Investor Grievance Resolution Panel 36

INR Indian Rupee 138, 141, 143, 144, 148, 152

IPEF Investor Protection and Education Fund 148

IRDAI Insurance Regulatory and Development Authority of India 8, 20, 26, 28, 57, 65, 85, 86, 110, 131, 133, 146, 147, 151–154, 164, 176

IT Information Technology 98–101

IVR Interactive Voice Response 101

KPI Key Performance Indicator 160

KRA Key Result Area 160

LIC Life Insurance Corporation of India 149, 150

MCA Ministry of Corporate Affairs 150

MoF Ministry of Finance 8, 11, 88, 89, 93

NBFC Non-banking Finance Company 9, 21, 26, 35, 76, 86, 113, 133, 153

NCDRC National Consumer Disputes Redressal Commission 8, 34, 140, 141, 148, 157, 176

NICE NSE Investor Center 133

NIPFP National Institute of Public Finance and Policy 8, 88

NPS National Pension Scheme 23, 36, 74, 110, 134

NSDL National Securities Depository Limited 134, 176

NSE National Stock Exchange 36, 37, 133, 139, 147, 149, 164, 176

OD Organisational Development 98, 99, 171

OECD Organisation for Economic Co-operation and Development 97–99, 102

OFT Office of Fair Trading 127

OIAE Office of Investor Assistance and Education 176

OPE Out of Pocket Expense 104–106, 174

PDMA Public Debt Management Agency 95

PFRDA Pension Fund Regulatory and Development Authority 8, 9, 20, 21, 26, 28, 35, 36, 58, 65, 74, 85, 86, 110, 130, 131, 134, 138, 144, 146, 147, 150, 153, 154, 164, 176

PMC Project Management Committee 89, 91

RBI Reserve Bank of India 8, 20, 21, 26, 30, 35, 43, 54, 57, 58, 65, 76, 86, 87, 110, 113, 131–136, 141, 142, 145, 147, 149, 151, 153, 164, 176

RC Resolution Corporation 95

RFI Request For Information 95, 104

RFP Request For Proposal 89, 90, 104, 105, 165, 171–175

S.Africa-FAIS South Africa- Financial Advisory and Intermediary Services 47, 70

SAT Securities Appellate Tribunal 30, 143, 144

SCDRC State Consumer Dispute Redressal Commission 34, 157

SCORES SEBI Complaints Redress System 26, 35, 36, 58, 76, 110, 133, 142

SEBI Securities and Exchange Board of India 8, 9, 20, 21, 26, 28, 35, 36, 38, 43, 58, 65, 74, 76, 83, 85, 87, 104, 105, 110, 113, 116, 130, 131, 133, 134, 136, 137, 141–143, 147–149, 151–154, 164, 171–173, 176

SEPF Subscriber Education and Protection Fund 150

SLA Service Level Agreement 90

SRO Self Regulating Organisation 164

T&C Terms & Conditions 46

TOR Terms of Reference 50, 97, 99, 171, 174

TPIN Telequery Personal Identification Number 134

UIDAI Unique Identification Authority of India 104, 105, 174, 175

UK United Kingdom 49

UK-FOS United Kingdom Financial Ombudsman Service 19, 38, 41, 42, 45–47,
50, 51, 70, 126, 127

ULIP Unit Linked Insurance Plans 10

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