

Tracking intermediaries service quality will be challenging, says former SEBI chief Damodaran

Suresh P. Iyengar | Mumbai, February 15 | Updated On: Feb 15, 2022



M Damodaran, former Chairman, Securities and Exchange Board of India | Photo Credit: SOMASHEKARA GRN

Advises regulator to track ten most common services rendered by them and find solutions

Even as the regulator is preparing to promote transparency, timely servicing and enhancing awareness on the services provided by market intermediaries through digital initiatives, the former SEBI chief Damodaran said tracking all transactions will be a mammoth challenge.

With most transactions in the financial sector are now taking place through the internet, the quality of service rendered needs to be monitored closely and grievances have to be redressed quickly, he said.

SEBI is planning to introduce alternative dispute resolution mechanism in various agreements between the regulated entities and their clients. Last November, SEBI published the 'Investor Charter' for securities markets to protect investors' interests, promote transparency in markets and enhance awareness, trust and confidence among investors.

Investors Charter

Terming SEBI's Investors Charter as a consolation prize for many who have been at the receiving end of the major "offering" last year, M Damodaran, former Chairman of SEBI, UTI and IDBI and Chairperson, Excellence Enablers, told BusinessLine that the products that are offered by service providers have undergone a change and in many cases, aided by technology, services rendered are instantaneous.

In these circumstances, he said tracking the quality of service delivery, through timelines expressed in days, or even in hours, becomes an infructuous exercise. There has also been the recognition that it is far easier to track grievances, and to seek to redress them, than setting non-enforceable expectations, through the medium of Charters, he added.

Each service provider renders several hundred services and therefore, monitoring and tracking service quality, through the medium of charters is a mammoth challenge.

Damodaran said the ten most common services rendered by each service provider should be tracked and systemic solutions should be found. Rushing into making penal provisions and enforcing them could perhaps be premature and counterproductive, he said

The SEBI charter contains information related to details of various services provided by the intermediaries to investors, their timelines, importance of preservation of relevant documents, investor grievance redressal mechanism.

Separate charters have been developed for exchanges, depositories, SEBI-registered intermediaries and regulated entities, including stock brokers, depository participants, asset management companies, Registrar and Transfer Agents, investment advisers, research analysts, merchant bankers.

Right to Service Act

A few years back, there was also an attempt to enact a Right to Services Act. While the Bill was passed in the Rajya Sabha, after obtaining the go-ahead of the concerned Parliamentary Committee, the Bill did not get introduced in the Lok Sabha, and it lapsed.

This was presumably on account of a realisation that when statutory rights are created, a number of grievances would surface, without an adequate mechanism to deal with them, in a reasonable time.

At the same time, some State Governments have enacted legislation for the Right to Service and at least one State has even provided for penalties for officials who did not meet the standards envisaged by legislation.

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