THE ARBITRABILITY OF TRUST: RESOLVING SECURITIES DISPUTES THROUGH SEBI'S ODR SMART MECHANISM

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ABSTRACT

Unlike traditional litigation or fragmented stock exchange SEBI Complaints Redressal System (SCORES) platform, the Securities and Exchange Board of India (SEBI) has promulgated an ODR framework in a master circular dated 11th August 2023[1]. It was a significant step towards aligning the Alternative Dispute Resolution framework to the intricacies of the securities market, which, being erratic in nature, requires expeditious the Arbitration and Conciliation Act, 1996.[2] ("Act"). This article analyzes the statutory foundation for the enforceability of arbitral awards, including contemporary barriers under the Arbitration Law, the establishment of a truly independent ODR platform, and the integration of a multi-tiered dispute resolution model. Ultimately, this demonstrates that while SEBI's ODR system is a unified leap forward, its long-term success depends on addressing critical issues and fostering a more accessible and equitable dispute resolution environment for all market participants.

[1] Securities and Exchange Board of India, 'Master Circular for Online Resolution of Disputes in the Indian Securities Market' (11 August 2023).
[2] Arbitration and Conciliation Act 1996 (India).

1. INTRODUCTION

The **Master Circular dated 11.08.2023,** issued by the Securities Exchange Board of India (SEBI) on *"Master Circular for Online Resolution of Disputes in the Indian Securities Market"*[3]*,* is a significant step towards the process of dispute resolution model in India. Over the years, SEBI has refined its dispute resolution mechanism through the SEBI Complaints Redressal System (SCORES)[4]. In **2023-2024,**[5] 34,752 new complaints were registered, successfully resolving 39,062 pending complaints. However, its effectiveness remains undermined as the system lacks the authority to provide binding adjudication, thereby contributing to the pendency of cases before courts and other forums, and leaving market participants largely unsatisfied. Expanding the scope and establishing a unified ODR Portal has been entrusted to the Market Infrastructure Institutions (MIIs)[6], and formulation can be under the established framework. It has laid a statutory foundation through the said *Act*. Ultimately, this article focuses on the tension between SEBI's push for a modern, tech-driven ODR system and the need to ensure the system's legal validity and enforceability under the existing Act.

2. HARMONIZING DISPUTES DIGITALLY: ANALYZING THE ODR PORTAL

SEBI's ODR Smart Portal depicts a fundamental shift in securities market dispute resolution, enlarging both the scope for Market Participants and avenues for resolution.

Existing Resolution Methods and ODR's Broader Scope

Earlier, dispute resolution was primarily focused on grievances involving stockbrokers, depository participants, listed companies, and transfer agents. Investors had limited recourse beyond these entities. The ODR Master Circular significantly expands the scope of coverage by introducing **Schedule A and Schedule B**[7] participants, carrying a more comprehensive

[3] Securities and Exchange Board of India, *Master Circular for Online Resolution of Disputes in the Indian Securities Market* (11 August 2023).
[4] Securities and Exchange Board of India, 'SEBI Complaints Redressal System (SCORES)' https://www.scores.gov.in accessed 10 September 2025.
[5] 'Sebi's SCORES platform disposes of 2,457 complaints in May' *The Hindu Business Line* (Business Line, 2025) https://www.thehindubusinessline.com/markets/sebis-scores-platform-disposes-of-2457-complaints-in-may/article66957349.ece accessed 8 September 2025.
[6] Market Infrastructure Institutions (MIIs), as recognized under SEBI regulations.
[7] Securities and Exchange Board of India, Master Circular on Online Dispute Resolution in the Indian Securities Market (20 December 2023) https://www.dai-ichiindia.com/wp-content/uploads/2023/02/Master-Circular-on-Online-Dispute-Resolution_20.12.2023-and-31.7.2023.pdf accessed 8 September 2025.

approach to dispute resolution. **Schedule A** governs disputes between investors and listed companies or intermediaries under the purview of the ODR Master Circular. While **Schedule B**, on the other hand, covers disputes with institutional clients, permitting greater flexibility.

Flow of ODR Process

If a grievance is not resolved by the market participant, the investor may escalate it on the SCORES platform or register it directly on SEBI's ODR Portal. If the investor is not satisfied with SCORES, the matter is transferred to the ODR Portal. The dispute is first referred to Conciliation before a Sole Conciliator, which must be completed within **21 days**, extendable by **10 days** in exceptional cases. If Conciliation fails, the matter proceeds to Arbitration disputes of up to **₹1 lakh** are decided on a documents-only basis, disputes up to **₹30 lakhs** are adjudicated by a Sole Arbitrator, and disputes exceeding **₹30 lakhs** are heard by a three-member Tribunal. An award must be delivered within **30 days**, extendable by another **30 days**, and unless stayed within **three months**, it is binding and enforceable under the Act.[8]

Dispute Outside the Realm of the ODR Portal

- When the matter is debatable before the SCORES platform or the Market Participant.
- When a dispute is pending before any Court, Tribunal, Arbitral Process, or Consumer Forum, or is non-arbitrable. Similarly, disputes appealable before the Securities Appellate Tribunal under **Section 15T of the SEBI Act, 1992[9], Sections 22A and 23L of the Securities Contracts (Regulation) Act,1956[10], and Section 23A of the Depositories Act, 1996[11].**
- Disputes/ challenges/ appeals/ reviews are excluded, concerning the enforceability and regulating role of MIIs.

3. A CLOSER LOOK AT NEW DEVELOPMENT

Circular **dated December 20, 2023[12],** SEBI adopted a proactive stance in addressing several

[8] Securities and Exchange Board of India, Master Circular on Online Dispute Resolution in the Indian Securities Market (20 December 2023) https://www.dai-ichiindia.com/wp-content/uploads/2023/02/Master-Circular-on-Online-Dispute-Resolution_20.12.2023-and-31.7.2023.pdf accessed 8 September 2025.
[9] Securities and Exchange Board of India Act 1992 (India) s 15T.
[10] Securities Contracts (Regulation) Act 1956 (India), s 22A, 23L.
[11] Depositories Act 1996 (India), s 23A.
[12] Securities and Exchange Board of India, *Master Circular for Online Resolution of Disputes in the Indian Securities Market* (20 December 2023).

lingering ambiguities while refining the ODR framework.

The circular clarified the historically challenging issues of the seat and venue for online proceedings. It is restricted to any mutually agreed independent institution within India. This measure minimizes jurisdictional uncertainty and strengthens the enforceability of the arbitral award under the said Act.

Operational aspects of ODR compliance were also streamlined. Entities that register with SEBI or list securities after **July 31, 2023**[13], are required to sign up for the ODR Portal. Market Participants undergoing Arbitration must deposit the admitted claim value with SEBI or MIIs **within 10 days of initiating the proceedings.** To streamline Post-Conciliation Arbitration, SEBI specified a new timeframe, mandating that the proceedings be initiated within the same facilitating institution and that the institution be notified **within 10 days of the Conciliation's end**. The claim amount shall be deposited within the **additional 5-day period. SEBI** has introduced new slabs for claims, specifically for disputes between **₹50 lakhs and ₹1 crore** and those **exceeding ₹1 crore**. The revised fee structure for arbitrators and ODR institutions is now determined based on the claim value falling within these categories.[14]
Collectively, these clarifications strengthen the ODR framework by advancing it as an investor-driven platform. However, its effective implementation still requires stronger procedural discipline to ensure a structured and enforceable regime for dispute resolution in the securities market.

4. BALANCING INNOVATION WITH LEGAL CERTAINTY

SEBI's ODR composition is a testament to its commitment to innovation, but its escalation depends on its ability to cope with the established legal frameworks under the said Act. The upshift from the modern, technology-driven platform and the paper-based established framework of the Act portrays several difficulties.

Jurisdiction and Seat of the Arbitration

For any dispute to be settled through Arbitration, it needs to determine the seat of Arbitration.

[13] Securities and Exchange Board of India, Circular on ODR compliance and operational streamlining (31 July 2023).
[14] Securities and Exchange Board of India, Master Circular on Online Dispute Resolution in the Indian Securities Market (20 December 2023) https://www.dai-ichiindia.com/wp-content/uploads/2023/02/Master-Circular-on-Online-Dispute-Resolution_20.12.2023-and-31.7.2023.pdf accessed 8 September 2025.

As per Section 20 of the said Act, the parties are free to agree on the place of Arbitration[15]. However, in ODR, it's all online settlement of disputes where participants are located at different places; the "place" can become ambiguous. In the **December 20, 2023,** circular attempt to clarify the venue and seat of Arbitration, the place where the investor resides, it still faces judicial scrutiny. It would be subject matter of jurisdictional challenges, which hinges on the enforceability of the Arbitral Award.

Validity of e-Agreements

Under Section 7 of the Act, an Arbitration agreement shall be in writing[16]**.** ODR Portal's reliance on a simple click-through needs to be legally robust, though electronic communication is accepted as a valid agreement in writing. The framework of registering on the ODR Portal must ensure that consenting to Arbitration is clear, unambiguous, and withstand scrutiny **under Section 34**[17], which permits challenges on the ground of an invalid Arbitration Agreement.

Evidentiary Concerns

The validity or integrity of the digital evidence is paramount in an online environment. The ODR Portal must underpin a reliable system for maintaining virtual records. During a process, the parties can seek the defence of the manipulation **under Section 34 challenge to the award to the said Act**. A clear set of rules governing the digital evidence shall be ensured.

5. THE RISE OF ARBITRABILITY IN THE DIGITAL AGE

The nature of the grievances is dynamic in the growing digital era, and SEBI's ODR portal must be regulated and framed to adapt to the dynamic changes. The portal needs to handle new types of issues or claims, such as coming out of the algorithmic trading, data privacy breaches, or issues with smart contracts.

Arbitrability of Non- Contractual Claims

A core principle arose out of the issue in the Arbitration Law, clarified by the Supreme Court in the landmark judgement in **Vidya Drolia vs. Durga Trading Corporation (2020)** [18]**,**

[15] Arbitration and Conciliation Act 1996 (India) s 20.
[16] Arbitration and Conciliation Act 1996 (India) s 20.
[17] Arbitration and Conciliation Act 1996 (India) s 34.
[18] Vidya Drolia v Durga Trading Corporation (2020) 3 SCC 75 (Supreme Court of India) (arbitrability principle).

regarding the arbitrability of disputes. The Court held that all disputes are arbitrable unless they are expressly mentioned as non-arbitrable. This fastened the opportunity for the ODR 's framework to be used as a medium to solve disputes that are not strictly limited to contractual. This ODR portal should ensure that the system in the above case **(Principle of Arbitrability**—determines whether a dispute is capable of being resolved through Arbitration or is reserved exclusively for Courts or Statutory Forums) is not just a tool for contractual disputes.

Third-Party Involvement

In the securities market, disputes often include multiple parties, such as the investor, broker, and depository participant. To solve such complexities, the ODR system needs a clear set of rules for multi-party Arbitration and the enforceability of claims. In the absence of such rules, an investor initiates multiple claims, which results in parallel grievances and potentially conflicting claims. It should allow the consolidation of related claims into a Single Arbitration, which would create efficiency, reduce cost, and achieve consistency.

6. GLOBAL PERSPECTIVES: COMPARING SEBI'S ODR SYSTEM WITH INTERNATIONAL SECURITIES ARBITRATION

SEBI's ODR system marks a major advancement for India's securities market, but a richer comparative lens reveals diverse global practices underpinned by strong legal frameworks such as the **UNCITRAL Model Law[19], the New York Convention[20]**, and domestic regimes like **FINRA[21]** in the United States, the **Financial Ombudsman Service[22]** in the UK, and the **Singapore Mediation and Arbitration Centre[23]**. In the US, FINRA's Arbitration is renowned for mandatory pre-dispute agreements, transparent process rules (**Rule 2268**)[24], and strict eligibility deadlines (**Rule 12206**)[25], with limited avenues for appeal—a structure that delivers speed and enforces awards but often faces criticism around investor fairness and transparency. The UK model, by contrast, leverages an independent ombudsman approach, focused on low cost and accessibility, and the EU and Singapore increasingly embrace digital-first solutions

[19] UNCITRAL Model Law on International Commercial Arbitration (1985, revised 2006).
[20] Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) 1958.
[21] FINRA Code of Arbitration Procedure, (United States).
[22] Financial Ombudsman Service, United Kingdom.
[23] Singapore Mediation Centre and Singapore International Arbitration Centre ODR frameworks.
[24] FINRA Code of Arbitration Procedure, Rules 2268 (United States).
[25] FINRA Code of Arbitration Procedure, Rules 12206 (United States).

aligned with **UNCITRAL**[26] Technical Notes and **OECD**[27] guidance to ensure cross-border enforceability and robust e-evidence practices. While SEBI's ODR blends global standards by ensuring legal enforceability, clear timeframes, and scope for multi-tiered ADR, India's system faces ongoing challenges in transparency, regulatory independence, and inclusivity for non-contractual and multi-party claims—areas where global counterparts provide important lessons and benchmarks for future refinement.

7. ALTERNATIVES AND SUGGESTIONS: PAVING A PATH FORWARD

To secure the long-term effectiveness of SEBI's ODR mechanism, several alternatives and strategic improvements are needed. A key suggestion is to establish a consistently updated **Standard Operating Procedure (SOP)**—jointly drafted by market infrastructure institutions and ODR players—to transparently guide each stage, from complaint lodging to award enforcement. Independent, annually reviewed panels for Conciliators and Arbitrators should be formed, maintaining role separation and quality assurance, a practice aligned with advanced global norms. Leveraging technological advancements, transcription services, automated case tracking, and secure e-signature infrastructure must be integrated to boost efficiency, security, and accessibility. Electronic settlements reached via Conciliation should be made legally binding, strengthening trust and the conclusiveness of resolutions. Additionally, procedures for high-value, chronic, or multi-party disputes should include direct Arbitration routes and robust digital evidence protocols. International best practices point to embracing artificial intelligence for routine dispute analysis, open data initiatives for transparency, and regular feedback loops with stakeholders. By incorporating these forward-looking innovations, SEBI can pave a path for a truly intelligent, inclusive, and world-class securities dispute resolution paradigm.

8. CONCLUSION

SEBI's ODR system for securities disputes, anchored by its **2023 Master Circular**, signifies a transformative leap in India's approach to investor protection, technological integration, and legal certainty. By harmonizing the said Act with digital, multi-tiered procedures, the ODR portal broadens access, expedites case management, and strengthens the enforceability of Arbitral Awards. The comparative analysis reveals both convergence with global best practices—such as mandatory timeframes, digital evidence standards, and inclusion of private

[26] UNCITRAL Model Law on International Commercial Arbitration (1985, revised 2006).
[27] OECD Online Dispute Resolution Framework and Guidance.

ODR institutions and critical challenges around autonomy, transparency, and the management of complex systematic claims. Alternatives and suggestions propose a future focused on dynamic SOPs, legally binding Conciliation settlements, AI-driven innovations, and external oversight to guarantee impartiality, investor trust, and efficiency. In end, SEBI's ODR mechanism is well-positioned to redefine securities dispute resolution in India. Its continued evolution driven by global benchmarking, rigorous stakeholder feedback, and technological innovation will ensure a robust, inclusive, and effective regime for all Market Participants, setting a benchmark for digital justice in financial markets worldwide.

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- Singapore Mediation Centre, Singapore International Arbitration Centre ODR Standards.