

# Best Practices

Handling  
Investor Complaints



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Best Practices for Handling Investor Complaints.

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This booklet is a product of a dedicated Task Force for Investor Relations. A stream within this Task Force led by the Turkish Capital Markets Association conducted a survey and authored the best practices. This material cannot be quoted or cited partially or wholly without permission of the FEAS Secretariat. For assistance, please contact [secretariat@feas.org](mailto:secretariat@feas.org).

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# Best Practices for Handling Investor Complaints

## Introduction

Investors play a critical role in promoting the growth and stability of financial markets. In order to shore up a sustainable infrastructure for investors, regulators, exchanges, post-trade agencies and dealers' associations need to ensure that their communication with investors is transparent and objective.

An indispensable element to accomplish this goal is creating an environment conducive to consultation, transparency and accountability. This can be comfortably achieved first by enacting a code of conduct for the services provided to investors, and second by enforcing the principles through collaboration with key players including investment institutions.

As a starter, however, there are no global standards accepted by exchanges, CSDs, dealers associations and brokerages who are the key counterparties when it comes to investor complaints.

In order to respond to this absence, FEAS has taken action and created a task force to focus on investor relations including complaints. A team led by the Turkish Capital Markets Association successfully conducted an inclusive survey, researched a great number of cases and put together the findings in a code of conduct. The findings and results were approved by the FEAS members and named as the "Best Practices for Handling Investor Complaints".

We wish you consider it relevant and useful.



Mustafa Baltacı  
Secretary General



Ekin Fıkrkoca  
Team Leader  
Investor Relations Task Force  
(Investor Complaints Stream)

# Best Practices for Handling Investor Complaints

## Rule 1:

**Exchanges, post trade institutions and dealers' associations should ensure that they have procedures in place that allow them to respond to investor complaints in an equitable and transparent manner.**

Exchanges, post trade institutions and dealers' associations should ensure that they respond promptly to all complaints they receive and that those complaints are processed in an equitable manner.

This includes ensuring that:

- All complaints are treated fairly and on equal footings;
- There is no cost to be borne by the complainant;
- All complaints are treated in a confidential manner;
- Investigations upon complaints are carried out as consistently and comprehensively as possible.

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## Rule 2:

**Exchanges, post trade institutions and dealers' associations should have written procedures that clearly specify how investors' complaints against the institution and/or its employees are treated.**

Institutions should have written complaint handling procedures, which should specify at least the following information:

- A clearly defined internal process for admitting, investigating, communicating about and closing investor complaints;
- The department and/or individual at the firm that is responsible for responding to investor complaints;
- The maximum period of time that the institution has, before it must respond to an investor complaint;
- Who is eligible to file a complaint;
- The issues that can be the subject of a complaint (e.g., misconduct, service issues, or other concerns);
- The institutions (other than the institution receiving the complaint) that can be the subject of a complaint;
- How the complaint must be submitted (e.g., in writing or in another form).

**Rule 3:**

**Exchanges, post trade institutions and dealers' associations should publish manuals regarding their procedures for handling investors' complaints, and those manuals should be accessible and disclosed in an appropriate manner to investors.**

There should be clear information on how to make and pursue a complaint with a single point of contact. The institution's procedures for handling customer complaints, including the information enumerated in the previous Rule 2, should be written in a plain language. Those manuals should be easily accessible by the public, irrespective of language and disability, so that no investors are disadvantaged.

**Rule 4:**

**Exchanges, post trade institutions and dealers' associations should ensure that their complaint handling manuals clearly disclose alternative dispute resolution methods.**

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Investors should be informed about other venues where a complaint could be filed, such as:

- Arbitration. Arbitration is defined as a dispute resolution process that produces a binding result.
- Mediation. Mediation is defined as a voluntary, non-binding dispute resolution process in which a neutral third party helps parties to negotiate a settlement.
- The services of an ombudsman. An ombudsman conducts an independent investigation that produces a non-binding recommendation for resolving a complaint.
- The regulatory authority.
- The civil justice system.

The manuals should specify which entities provide arbitration, mediation and ombudsman services. Where possible, the costs related to all alternative methods and the party bearing those costs should also be clearly disclosed in the manuals.

**Rule 5:**

**Exchanges, post trade institutions and dealers' associations should ensure that they have sufficient senior management involvement and staff capability so that they are able to adequately respond to investors' complaints.**

Senior management should have sufficient level of involvement to ensure that the institution's complaint handling procedures are effectively implemented.

In order to achieve an effective complaint handling capacity, the management needs to ensure that:

- The institution employs a sufficient number of staff in order to be able to appropriately respond to investor complaints;
- The staff tasked with handling investor complaints has the appropriate level of authority;
- The institution invests in the continuing education of the staff in charge of handling investor complaints in order to develop professional competence and effectiveness of personnel.

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**Rule 6: Exchanges, post trade institutions and dealers' associations should analyze and evaluate complaints in order to improve the business practices and the effectiveness of their complaint handling procedures.**

The information received from investor complaints should be carefully analyzed in order to determine if they are evidence of any systemic failures within the institution.

In order to achieve an effective complaint handling procedure, the management needs to ensure that:

- There is an effective process for notification to senior management of any significant complaints;
- The information derived from investors' complaints is reviewed by all relevant parts of the business.

In addition, institutions should carry out on-going reviews and periodic audits of their investor complaint procedures in order to determine if those procedures are effective in responding to and resolving investor complaints. Institutions should endeavor to continually upgrade and improve their complaint handling procedures in light of those reviews and audits.

**Rule 7: Exchanges, post trade institutions and dealers' associations should encourage financial intermediaries to develop their own complaint handling procedures.**

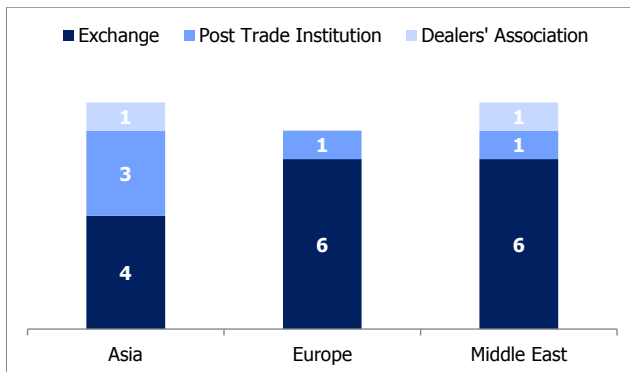
Exchanges, post trade institutions and dealers' associations should encourage financial intermediaries that work directly with investors to develop their own complaint handling procedures. In order to facilitate that, institutions might develop guidelines for complaint handling by financial intermediaries.



# Survey on “Investor Complaints”

This survey was conducted in 2012 with the participation of 17 FEAS member exchanges, 4 post trade institutions and 2 dealers' associations.

### Location of Survey Participants



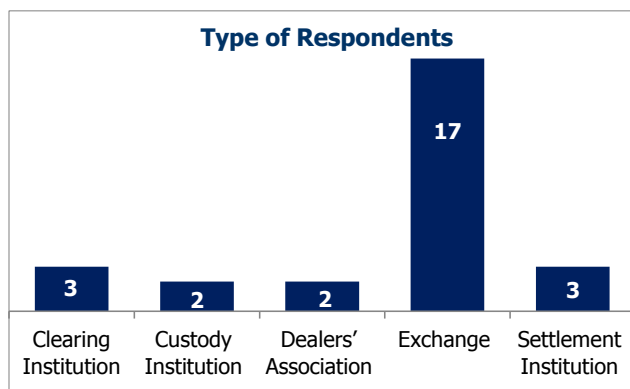
8 respondents are located in Asia. 7 respondents are in Europe. 8 of 23 respondents are in the Middle East.

## 1. Complaint Resolution by Infrastructure Institutions

This section includes all 23 respondents' answers for the following 10 questions. The questions are related to the resolution of investor complaints by infrastructure institutions.

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### Profile of Respondents

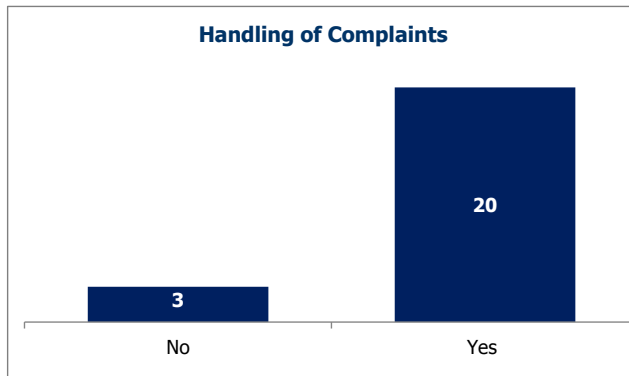


Among 23 respondents, some of them have more than one function. Clearing, custody and settlement institutions are categorized as post trade institutions.

4 respondents are post trade institutions. 1 institution operates as an exchange and a clearing institution. Most of

the respondents (17) are exchanges.

**Can investors apply to your organization to complain about your organization's services?**

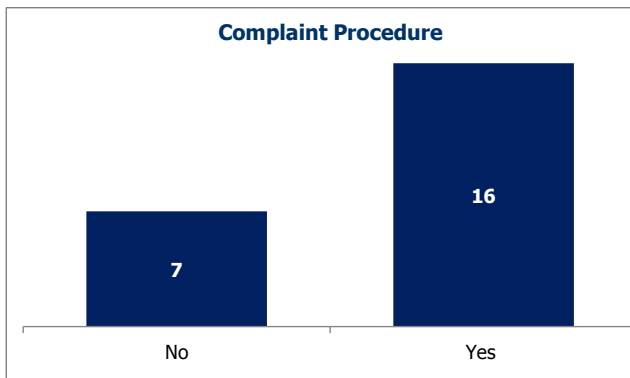


20 of 23 organizations have stated that investors can apply to them for complaints related to the services offered by them.

In 3 of them, it is not possible for investors to complain. Among those, 2 of them are exchanges in Europe. The

remaining one is a clearing institution in Asia.

**Does your organization have procedures for handling investor complaints about your organization?**

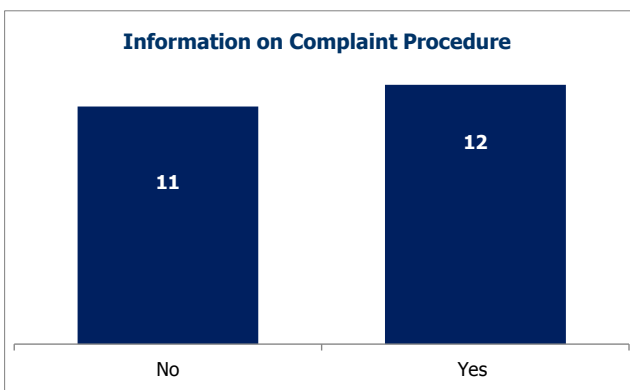


16 out of 23 respondents have procedures for handling investor complaints whereas 7 of them do not.

4 of 17 exchanges, 2 of 4 post trade institutions and 1 of 2 dealers' associations do not have procedures.

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**Does your organization publish information about how investors can complain about your organization?**

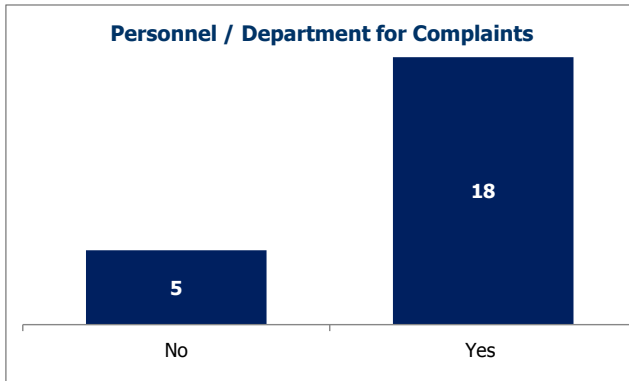


12 respondents publish information about how investors can complain about their organization.

6 European exchanges do not publish information about investor complaints. The exchanges in Asia and Middle East generally publish

information.

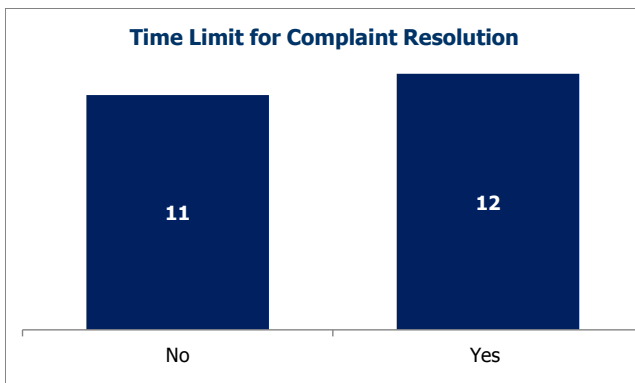
**Does your organization have identified personnel or department in charge of handling investor complaints?**



In 18 of 23 organizations, there are identified personnel or department in charge of handling investor complaints.

4 of 5 institutions which do not have identified personnel or department are the exchanges in Europe. The remaining one is a post trade institution in Asia.

**Does your organization specify the time in which the investor complaint must be resolved or replied to?**

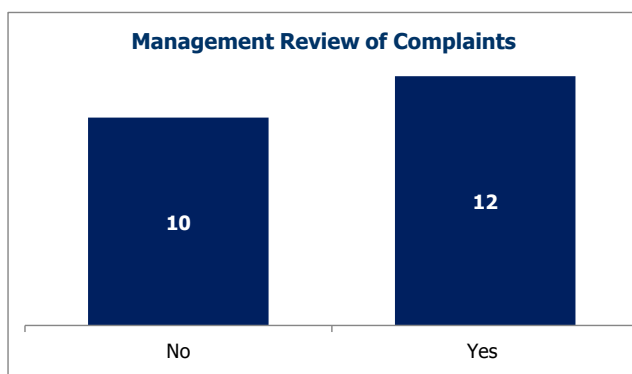


11 of the respondents do not have a specific time limit for the resolution of investor complaints. Most of the institutions, including exchanges and post trade institutions in Europe do not have time limits to solve a complaint.

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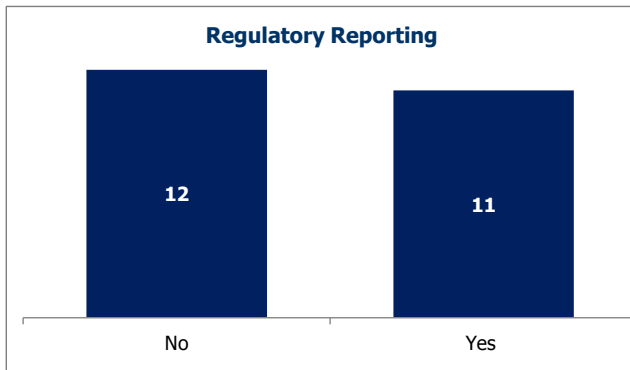
In terms of geographical classification, 5 of 8 Asian institutions have specified time limits for the resolution. Among 7 European institutions, 3 of them and 4 of 8 Middle Eastern institutions has specific time limits for solving investor complaints.

**Does your organization’s management review and evaluate investor complaints periodically?**



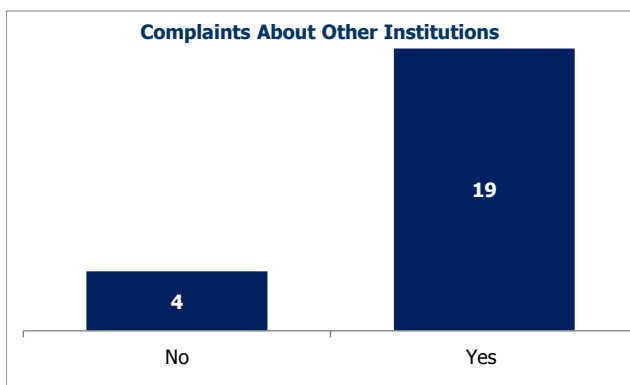
One organization did not answer this question. Among the 22 respondents, in 12 of them management reviews the investor complaints. 7 out of 17 exchanges, half of the post trade institutions and dealers’ associations do not evaluate investor complaints regularly.

**Does your organization report investor complaints to a regulator or any other institution?**



12 respondents do not report investor complaints to a regulatory authority. The breakdown of the 12 institutions is; 3 post trade institutions, 1 dealers’ association and 8 exchanges.

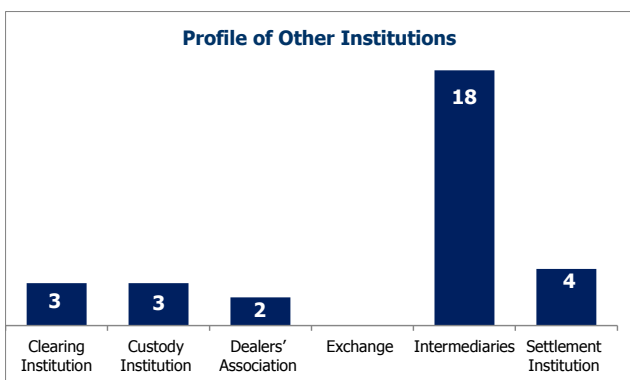
**Can investors apply to your organization to complain about the services of other institutions, such as intermediaries, exchanges, clearing institutions etc.?**



Investors can apply to 19 of these respondents to complain about other institutions.

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**About which of the following institutions can investors complain to your organization?**



The 19 organizations that have answered “Yes” in the previous question stated the type of institutions that an investor can complain about. 7 of the 19 institutions accept complaints about more than one institution. Since most of them are exchanges, 18 of them stated that investors can complain about

intermediaries to the exchanges. 2 exchanges in the Middle East also accept complaints about dealers’ association. Overall, it is observed that 7 out of 8 Middle Eastern institutions accept complaints about other institutions, including post trade institutions, whereas the exchanges in Europe and Asia mostly accept complaints about intermediaries only.

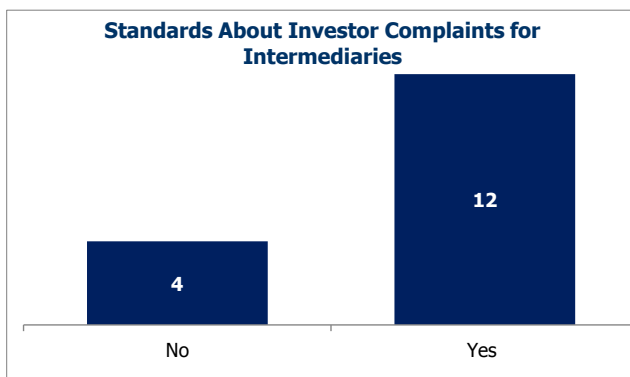
## 2. Complaint Resolution by Intermediary Firms

This section explores how investor complaints are resolved by intermediary firms in different countries. The main focus of this part is the comparison of jurisdiction. Therefore we analyze the results of 16 countries as compared to 23 respondents in the first section. Among the respondents, 3 countries are in Asia, 6 in Europe, 7 in Middle East.

18 questions in this section are categorized under 3 subsections such as standards about complaint resolution, reporting to a regulatory authority and finally information about investor complaints.

### a. Standards about Complaint Resolution by Intermediary Firms

*Are there organizations in your jurisdiction that set standards for how intermediary firms must handle investor complaints?*

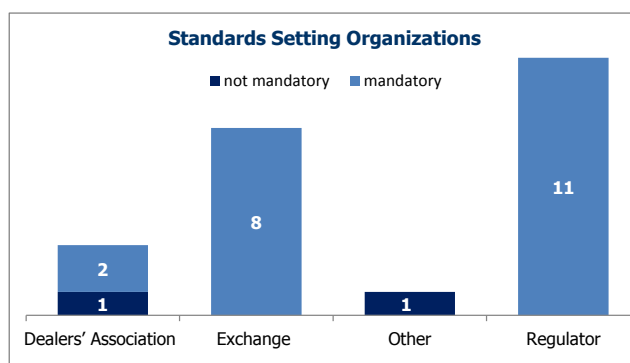


In 12 countries there are organizations that set the standards for complaint resolution by intermediaries.

Among the 4 countries where there is no standard setting; 2 of them are in Asia, 1 is in Europe and the other one is from Middle East.

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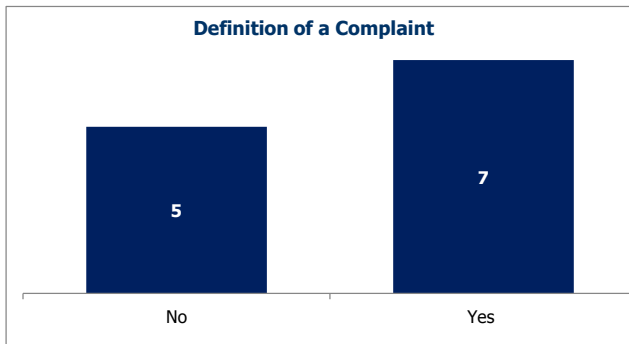
*If yes, what is/are the type of the organization/s? Is compliance with those standards mandatory?*



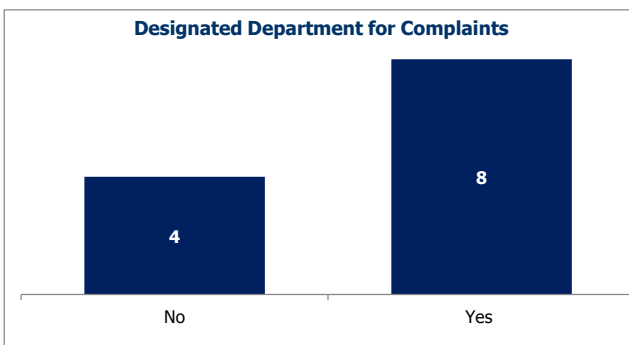
In 7 countries there are more than one organization that sets the standards for investor complaints. In 11 countries the organization that sets the standards for investor complaints is the regulator. All of them stated that those standards are mandatory.

In 8 countries, exchanges set mandatory standards. In 3 countries, dealers' associations set the standards and in 2 of them those are mandatory. In only one country, the central securities depository sets the standards.

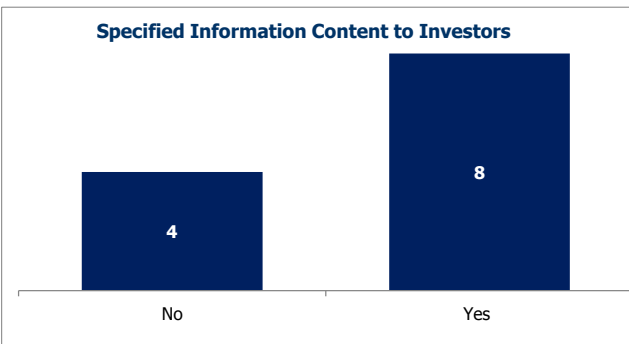
**Scope of the standards?**



Among those 12 countries that have an organization setting the standard about investor complaints, 7 of them define what constitutes an investor complaint in order to determine if the complaint is appropriate.

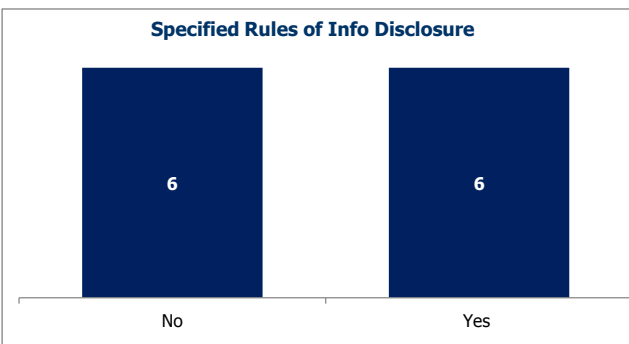


In 8 countries, standards require that the intermediary firms should establish departments for responding to complaints.

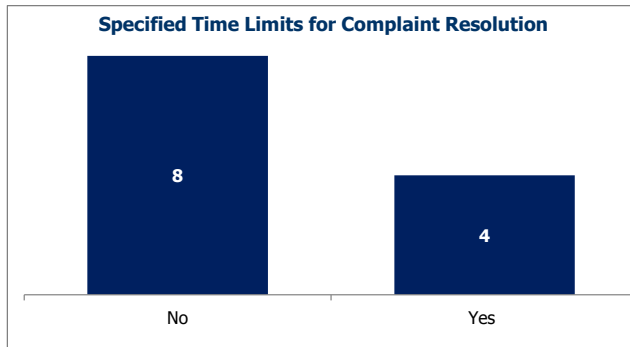


In 8 countries, standards specify the information that must be provided to investors, concerning the intermediary firm's complaint process.

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In 6 countries, the standards specify how the information about the intermediary firm's complaint process must be disclosed to investors.



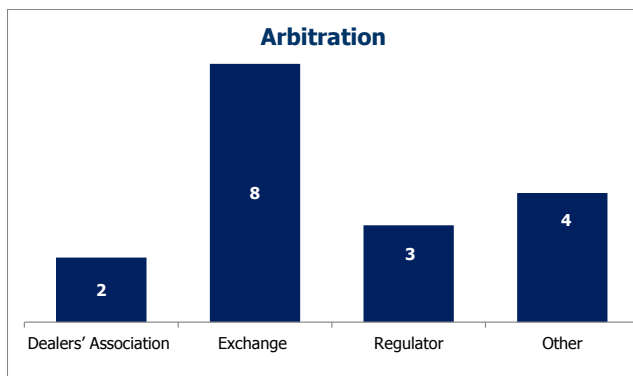
There are only 4 countries where the time limit for responses is specified. In one country the complaints should be responded in 1 month whereas in another country it should be done in 3 months. Remaining 2 did not give a time limit.

***If an investor’s complaint cannot be resolved by the related intermediary firm, do investors have other avenues for pursuing a complaint? If yes, what is/are the way/s that the investor can pursue a complaint?***

Alternative Ways	Yes	No
Civil Justice	15	1
Arbitration	11	5
Mediation	7	9
Ombudsman	5	11
Other	3	13

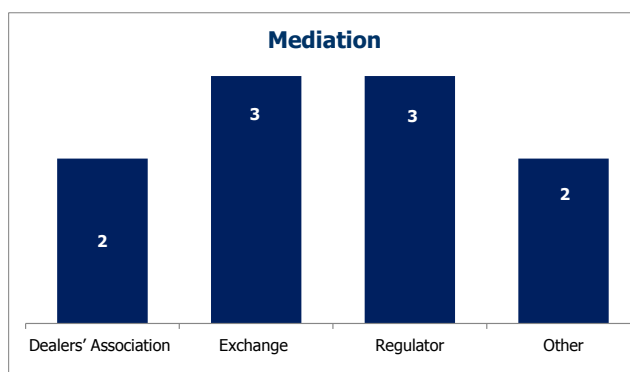
In all countries, there are alternative ways to pursue an investor complaint. In some countries there are more than one alternative method

to pursue a complaint. In 15 out of 16 countries, investors can pursue complaints via civil justice system.



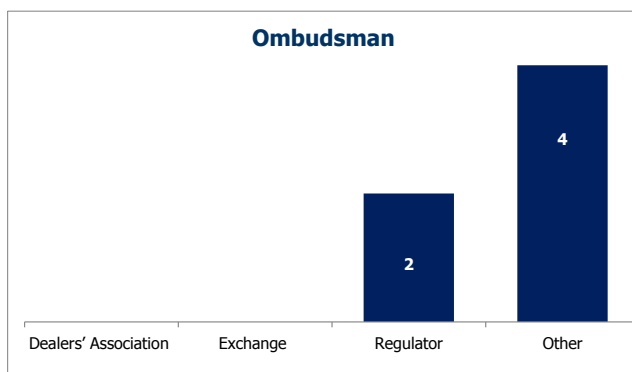
In 12 countries, the complaint can be pursued through arbitration. In some countries, arbitration service is provided by multiple institutions. If we look at the breakdown of arbitrators: in 8 cases investor can apply to the exchange, in 3 cases to the regulator and in 2 cases to the dealers’ association. In one

country, investors can apply to the central securities depository. In addition, in 2 countries the parties can agree on an arbitrator.



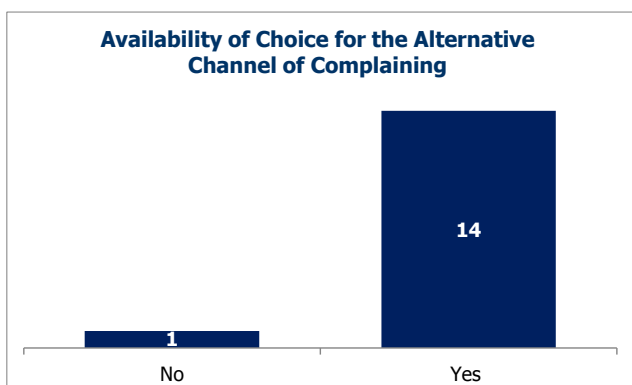
In 7 countries, mediation is the alternative way to solve a complaint. In 3 countries the exchange, in 2 countries the dealers’ association and in 3 countries the regulator offers mediation services. “Other” refers to the mediators authorized by the ministry of justice of the 2 countries.





In 2 countries the regulator acts as the ombudsman. However, in 4 countries parliament is in charge.

*If the investor has various options for pursuing a complaint against an intermediary firm, is the investor free to choose which option s/he will pursue? If no, which entity or entities specify the options that the investor must pursue?*



One country did not respond to this question. In 14 out of 15 countries, investor holds the right to choose the method to solve the complaint.

On the other hand, in the only country where the investor is not free to choose, the

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regulator and the exchange specify the alternative ways.

*Who bears the cost of the complaint handling process?*

Cost Bearing	Who bears the cost			
	Investor	Firm	Arbitrator/ Mediator/ Ombudsman	No Cost
Civil Suit	11	1	-	1
Arbitration	7	1	1	2
Mediation	3	0	0	1
Ombudsman	2	0	2	0
Other	1	0	-	0

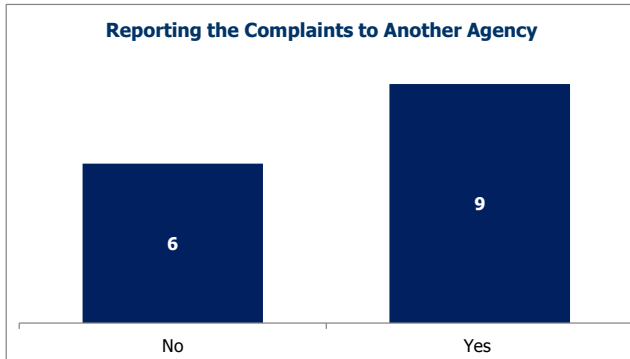
Regarding the civil suit, in 11 countries the investor bears the cost of the complaint handling process. In 1 country, the cost is incurred by the firm.

On the arbitration side, in 7 countries the cost is on the investor. In 2 countries there is no cost for this process.

For mediation, in 3 countries investor bears the cost of the process. In one country it has been stated that there is no cost. In 2 countries, the cost is incurred by the investor and in 2 countries the cost is borne by the ombudsman.

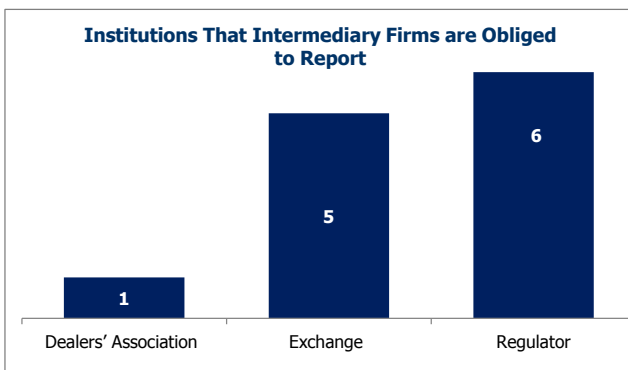
**b. Reporting to a Regulatory Authority**

*Are intermediary firms required to report investor complaints (resolved or not) to a regulatory authority or other agency?*



Among 15 countries, 9 of them stated that the intermediary firms are required to report investor complaints to a regulatory authority or another agency.

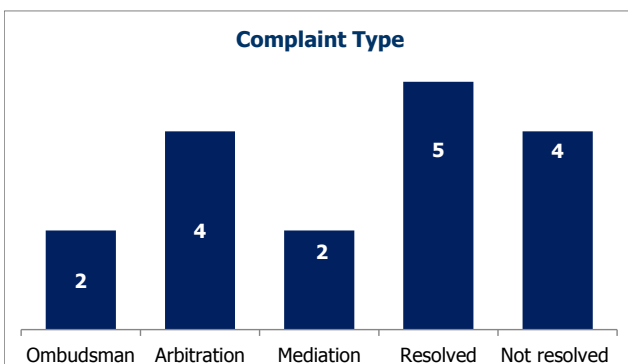
*If intermediary firms are required to report investor complaints to a regulatory authority or other agency, where are those complaints reported to?*



In 3 countries there is more than one organization that the intermediaries must report to. In 6 countries intermediary firms are required to report the investor complaints to the regulator; and in 5 of them to the exchange and in one of them to the dealers' association.

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*If intermediary firms are required to report investor complaints to a regulatory authority or other agency, which complaints must be reported?*

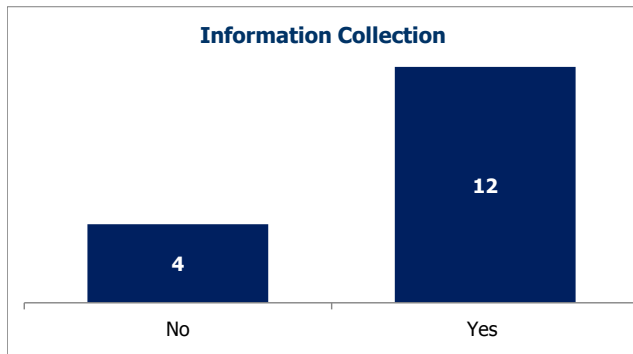


Graph shows the complaint types that must be reported. In 5 countries, more than one complaint type must be reported. In 2 countries, complaints that have been referred to the ombudsman must be reported. In 4 countries complaints that have been referred to arbitration, in 2 countries complaints that have

been referred to the mediation must be reported. Furthermore, in 5 countries, the complaints that have been resolved must be reported, whereas in 4 countries the complaints that have not been resolved must be reported as well. In one Asian country, only the resolved complaints must be reported. In other 4 countries, both the resolved and unresolved complaints must be reported.

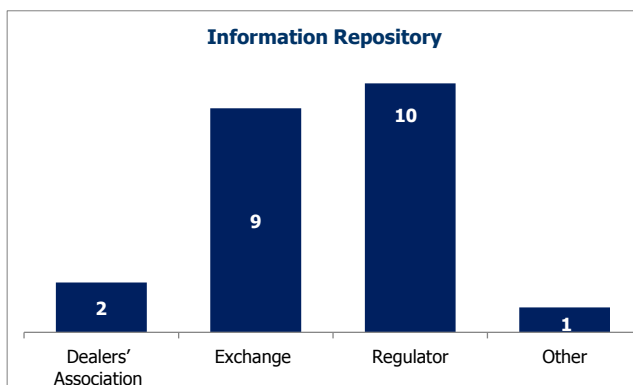
**c. Information about Investor Complaints**

*Is information about investor complaints against intermediary firms collected and maintained in your jurisdiction?*



In 12 out of 16 countries the information about investor complaints against intermediary firms is collected and maintained.

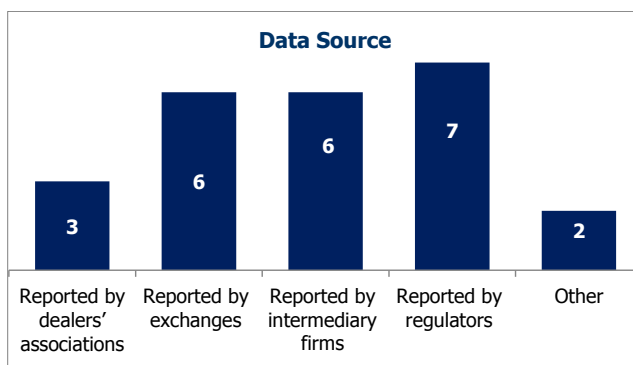
*If yes, which entity or entities collect and maintain that information?*



In 8 of 12 countries more than one organization collects and maintains information. In 10 countries the regulators, in 9 countries the exchanges and in 2 countries the dealers' associations keep the information. In one country the central securities depository collects and maintains the information.

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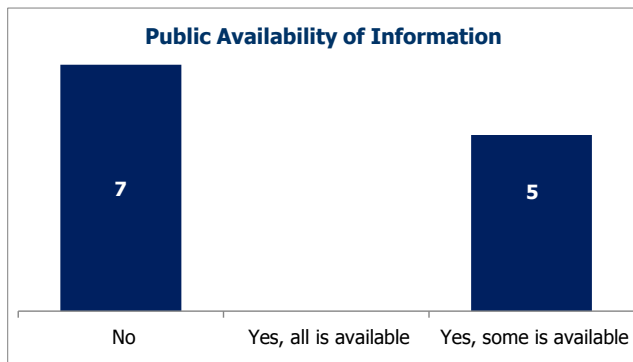
*What is/are the source/s of the data about the investor complaints?*



In 6 countries, there are multiple sources of data. In 3 countries, the information about investor complaints includes data reported by the dealers' association. In 6, it includes data about investor complaints from exchanges and intermediary firms. In 7 countries data comes from

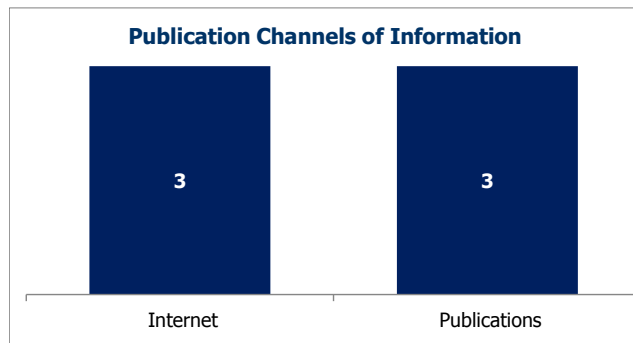
the regulators. "Other" includes answers that are not informative.

**Is the information that is collected in your jurisdiction regarding investor complaints against intermediary firms available to the public?**



In 5 of the 12 countries, some of the collected information is disclosed to public, whereas in 7 of them, no information is disclosed.

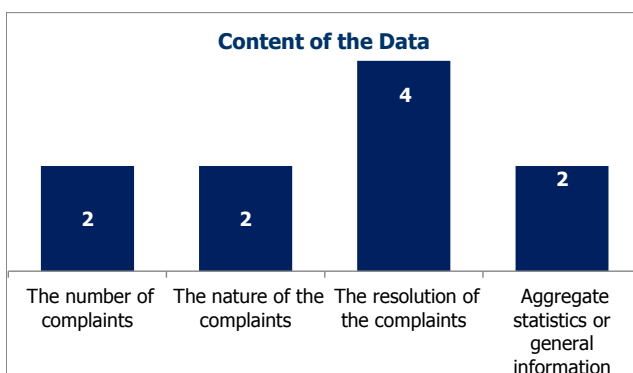
**If some or all of the information collected about investor complaints is available to the public, is it available through?**



The means of information disclosure have an equal distribution among internet and publications.

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**If some or all of the information about investor complaints is available to the public, what is the content of the data?**



Regarding the content of the data, in four countries, the resolution of the complaints are included, in 2 countries the number, nature and aggregate statistics or general information is provided.