

Special Instructions For Clients Buying Shares Of Exchanges, Clearing Corporations And Depositories

"Regulation 19(1) & 20 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) which states that no person shall, directly or indirectly, acquire or hold equity shares of a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories unless he is a fit and proper person in terms of Regulation 19 and 20 of the SECC Regulations."

ELIGIBILITY FOR ACQUIRING OR HOLDING SHARES. REGULATION 19 OF SECC

- No person shall, directly or indirectly, acquire or hold equity shares of a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories unless he is a fit and proper person.
- Any person who, directly or indirectly, either individually or together with persons acting in concert, acquire equity shares such that his shareholding exceeds two per cent of the paid up equity share capital of a a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories shall seek approval of SEBI within fifteen days of the acquisition.
- A person eligible to acquire or hold more than five per cent of the paid up equity share capital under sub-regulation (2) of regulation 17 and sub-regulation (2) of regulation 18 may acquire or hold more than five per cent of the paid up equity share capital of a a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories only if he has obtained prior approval of SEBI.
- Any person holding more than two per cent of the paid up equity share capital of the a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories on the date of commencement of these regulations, shall ensure compliance with this regulation within a period of ninety days from the date of such commencement.
- If approval under sub-regulation (2) or (4) is not granted by SEBI to any person, such person shall forthwith divest his excess shareholding.
- Any person holding more than two per cent. of the paid up equity share capital in a a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories, as the case may be, shall file a declaration within fifteen days from the end of every financial year to the a recognised Stock Exchange, recognised Clearing Corporation and recognised Depositories, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

FIT AND PROPER CRITERIA. REGULATION 20 OF SECC :

1. **For the purposes of these regulations, a person shall be deemed to be a fit and proper person if**

- Such person has a general reputation and record of fairness and integrity, including but not limited to—
 - ❖ Financial integrity;
 - ❖ Good reputation and character; and
 - ❖ Honesty;

- 2. Such person has not incurred any of the following disqualifications**
 - ❖ The person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
 - ❖ An order for winding up has been passed against the person;
 - ❖ The person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 - ❖ An order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - ❖ Any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
 - ❖ The person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and
 - ❖ The person is financially not sound.

If any question arises as to whether a person is a fit and proper person, SEBI's decision on such question shall be final.

