

## **Annexure to Contract Note**

### **Regulation 19 and 20 of the Securities Contracts (Regulation)(Stock Exchanges And Clearing Corporations)Regulations,2018**

#### **Applicable to trading in securities of listed Stock Exchange on the Exchange**

##### **Eligibility for acquiring or holding shares**

19. (1) No person shall, directly or indirectly, acquire or hold any equity shares or voting rights of a recognised stock exchange or recognized clearing corporation unless he is a fit and proper person:

Provided that the onus shall be on the recognised stock exchange/ recognised clearing corporation to ensure that all its shareholders are fit and proper persons:

Provided further that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a recognized stock exchange for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such recognized stock exchange.

(2) Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021. Prior to its omission, it reads as – *“(2) Any person who acquires equity shares or voting rights, in a recognised stock exchange or recognized clearing corporation, directly or indirectly, either individually or together with persons acting in concert, that entitles the person(s) so acquiring to exercise any voting rights in the range of two percent to five per cent, shall seek approval of the Board within fifteen days of such acquisition.”*

(3) A person eligible to acquire or hold more than five per cent of the paid up equity share capital under sub-regulation (2) and (3) of regulation 17 and sub-regulation (2) and (3) of regulation 18 may acquire or hold more than five per cent of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of the Board.

(4) The application for seeking approval in terms of sub-regulation (3) of this regulation shall be made to the Board in the manner specified at PART –F of Schedule – II of these regulations through the concerned stock exchange / clearing corporation.

(5) The stock exchange / clearing corporation shall verify the declarations/ undertakings given by the shareholders under sub-regulation (4) and forward the application along with its recommendation for approval to the Board.

(6) Omitted by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 w.e.f. 13.08.2021. Prior to its omission, it reads as – *“(6) If approval under sub-regulation (2) is not granted by the Board to any person, such person shall forthwith divest his entire shareholding in the recognised stock exchange / recognised clearing corporation.”*

(7) Any person holding two per cent. or more of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file a declaration within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

#### **Monitoring of shareholding limits 19A.**

The recognised stock exchange / recognised clearing corporation shall put in place a monitoring mechanism as specified in Part G of Schedule – II of these regulations to ensure compliance with the shareholding conditions specified in these regulations at all times.

#### **Requirement and criteria of fit and proper**

20. (1) The recognised stock exchange/ recognised clearing corporation shall ensure that all its directors and key management personnel are fit and proper persons at all times.

(2) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

(a) such person has a general reputation and record of fairness and integrity, including but not limited to—

(i) financial integrity;

(ii) good reputation and character; and

(iii) honesty

(b) such person has not incurred any of the following disqualifications—

(i) 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;

(ii) an order for winding up has been passed against the person;

(iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;

(iv) 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;

(v) 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 the Board or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

- (vi) the Board has initiated recovery proceedings under the SEBI Act, 1992 and are pending;
- (vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
- (viii) the person is financially not sound or has been categorized as a willful defaulter; and
- (ix) any other disqualification as specified by the Board.

(3) If any question arises on the decision of a recognised stock exchange or recognized clearing corporation as to whether a person is a fit and proper person, the Board's decision on such question shall be final.

**Applicable to trading in securities of listed Depositories on the Exchange**

Criteria for fit & proper person as specified in Schedule II of the SEBI (Intermediaries) Regulations, 2018

For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer and the key management persons by whatever name called –

- (a) integrity, reputation and character;
- (b) absence of convictions and restraint orders;
- (c) competence including financial solvency and network.