

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART -III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, December 23, 2008
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the 23rd December, 2008**

**SECURITIES CONTRACTS (REGULATION) (MANNER OF
INCREASING AND MAINTAINING PUBLIC SHAREHOLDING IN
RECOGNISED STOCK EXCHANGES) (AMENDMENT)
REGULATIONS, 2008**

No. LAD-NRO/GN/2008/30/148262 - In exercise of the powers conferred by section 31 read with sub-section (8) of section 4B of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006, namely:-

1. These Regulations may be called the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) (Amendment) Regulations, 2008.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006: -
 - (i) in regulation 2, in sub-regulation (1), after clause (i) the following clause shall be inserted, namely:-

“(j) “shareholder having trading rights” means a shareholder who has a trading interest in the stock exchange, whether directly or indirectly through a person having trading rights.

Explanation: A shareholder having a trading interest “indirectly” in relation to a person having trading rights shall have same meaning as assigned to the term “associate” in relation to a shareholder having trading rights under clause (b) of this sub-regulation.”

- (ii) in regulation 8,
 - (a) for sub-regulation (1), the following sub-regulation shall be substituted, namely:-

“(1) No person resident in India shall at anytime, directly or indirectly, either individually or together with persons acting in concert, hold more than five per cent. of the equity share capital in a recognised stock exchange:

Provided that a stock exchange, a depository, a clearing corporation, a banking company, an insurance company and a public financial institution defined under section 4A of the Companies Act, 1956 may hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of the recognised stock exchange:

Provided further that person holding equity shares in a recognised stock exchange in excess of the limits specified in this regulation at the commencement of these regulations shall reduce his holding to ensure compliance with this regulation within the time specified in sub-section (8) of section 4B of the Act or the time extended under the proviso thereto.

Explanation: For the purposes of this sub-regulation:-

(I) "banking company" shall have the meaning assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(II) "insurance company" shall have the meaning assigned to it in sub-section (8) of section 2 of the Insurance Act, 1938 (4 of 1938);

(III) "person resident in India" shall have the meaning assigned to it in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);

(IV) "persons acting in concert" shall have the meaning derived from clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997."

(b) after sub-regulation (1), the following sub-regulation shall be inserted, namely:-

"(2) the combined holding of all persons resident outside India in the equity share capital of a recognised stock exchange shall not exceed, at any time, forty-nine per cent. of its total equity share capital, subject further to the following:-

- a) the combined holdings of such persons acquired through the foreign direct investment route shall not exceed twenty six per cent. of the total equity share capital, at any time;
- b) the combined holdings of foreign institutional investors shall not exceed twenty three per cent. of the total equity share capital, at any time;
- c) no foreign institutional investor shall acquire shares of a recognised stock exchange otherwise than through the secondary market if such exchange is listed:

Explanation: For the purposes of this clause c) the acquisition of shares through secondary market shall be construed as follows:

(I) If the recognised stock exchange is not listed, a foreign institutional investor may acquire its shares through transactions outside of a recognised stock exchange provided it is not an initial allotment of shares;

(II) If the recognised stock exchange is listed, the transactions by a foreign institutional investor shall be done through the recognised stock exchange where such shares are listed;

- d) no foreign institutional investor shall have any representation in the Board of Directors of the recognised stock exchange;
- e) no foreign investor, including persons acting in concert with him, shall hold more than five per cent. of the equity share capital in a recognised stock exchange.”

(c) the existing sub-regulation (2) shall be renumbered as sub-regulation (3);

(iii) in regulation 9,

(a) in the marginal note, for the words “one percent”, the words “five per cent.” shall be substituted;

(b) for sub-regulation (1), the following sub-regulation shall be substituted, namely:-

“(1) No person shall, directly or indirectly, either individually or together with persons acting in concert with him, acquire and/or hold more than five per cent. of the paid up equity capital of a recognised stock exchange after commencement of these regulations, unless he is a fit and proper person and has taken prior approval of the Board for doing so.”

C. B. BHAVE
CHAIRMAN

Footnote:

1. The Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006, was published in the Gazette of India on November 13, 2006.