

CONSULTATION PAPER ON ADMINISTRATION OF STOCK EXCHANGES- FOR PUBLIC COMMENTS

Measures for ease of doing business for MIs- " Modifications to Master Circular for Stock Exchanges and Clearing Corporations, Master Circular for Commodity Derivatives Segment on Administration of Stock Exchanges (including Commodity Derivatives Exchanges)"

THE BACKGROUND AND OBJECTIVE

1.1 The Hon'ble Finance Minister in the budget announcements for FY 2023-24, *inter-alia*, made an announcement to simplify, ease and reduce cost of compliance for participants in the financial sector through a consultative process.

1.2 In order to align the process of review of the Master Circular with the budget announcement, SEBI, *inter-alia*, prior to issuing a circular under the Acts or regulations generally undertakes public consultation.

1.3 Accordingly, the objective of this consultation paper is to seek comments/views/suggestions from public on the modifications to-

1.3.1 Chapter 6 (Administration of Stock exchanges and Clearing Corporations) of Master Circular for Stock Exchanges and Clearing Corporations(MSECC) dated December 30, 2024 and

1.3.2 Chapter 13 (Investor protection Fund and Investor Service Fund and its related matters), Chapter 14 (Investor Grievance Redressal System and Arbitration mechanism) and Chapter 15 (Governance and Administration of exchanges and Clearing Corporations) of Master Circular for Commodity Derivatives Segment(MCD) dated August 04, 2023,

through, *inter-alia*, simplification of regulatory requirements, removal of redundant provisions, discontinuation of duplication, in order to promote ease of doing business and reduce the compliance burden on exchanges.

1.4 It is proposed that the approach to review shall broadly entail the below activities-

- 1.4.1 Chapter-wise review of Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024;
- 1.4.2 Entity-wise review of Master Circular, in terms of having a Master Circular for Exchanges and separate Master Circular for Clearing Corporations;
- 1.4.3 Merger of Master Circular in a single set of directions for Stock Exchanges and Commodity Derivatives exchanges.

Accordingly, the consultation paper is for combined guidelines for Stock exchanges on the aforementioned Chapters mentioned at para 1.3 and shall replace all the applicable provisions till the 31st of July, 2025 in respect of Stock exchanges (including Commodity Derivatives exchanges).

2. SUMMARY OF CHANGES SUGGESTED

The current provisions, changes proposed and rationale for the changes are briefly mentioned as under:

Sr. No.	Current Provisions	Changes proposed	Rationale for change
2.1	Paragraph 1 of Chapter 6 on 'Administration of Stock exchanges and Clearing Corporations' of the MSECC prescribes allotment of a two-digit code to each of the stock exchanges in the country, which is to be incorporated in the twelve-digit registration number given to the trading members.	It is proposed that the requirement of allotment of two-digit codes to exchanges may be discontinued and paragraph 1 containing this provision may be removed.	From analysis of the genesis and usage of this two-digit code, it is observed that- <u>Genesis</u>- This code was introduced for identification of introducing brokers for forwarding of documents for rectification in case of bad delivery/other problems with the physical shares. However, with the introduction of dematerialization in the securities market, risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc. have been eliminated. <u>Usage</u>: On review of current uses of this code, it is observed that- 1. This code was incorporated as the

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			first two-digit after the letter INB/INE/INF in the registration number of brokers. However, with the introduction of single registration number for brokers (INZ series) across exchanges and segments of exchanges, the use of this code is discontinued by brokers. 2. Further, this code does not form part of any recent regulatory correspondence with exchanges. 3. Majority of the regional stock exchanges have been derecognized/exited, hence, there is no difficulty in using acronym such as NSE, BSE, MSEI, MCX and NCDEX for the limited number of existing exchanges. 4. Moreover, exchanges have submitted that the code is not being used for any purpose as of now. Hence, this is a step towards discontinuation of obsolete requirements.
2.2	Paragraph 2.2.6.1 of MSECC on 'Meeting of PIDs' deals with the frequency and attendance criteria for separate meeting of PIDs in an MII. Herein, currently, all the PIDs have to necessarily attend all meetings of PIDs.	It is proposed that the current requirement for PIDs to necessarily attend all PID meetings may be modified to the extent that 'each PID shall endeavor to attend all such meetings of PIDs, with mandatory attendance in any two	Based on submissions received from exchanges, it is understood that, generally, PIDs regularly attend all the meetings. However, in case of personal exigencies there are challenges in attending a specific meeting. Considering this, making it mandatory

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		such meetings during a year’.	may not be realistic and hence carve out for exigencies may be provided. In view of the practical challenges faced by PIDs and as ease of doing business measure, revised attendance criterion for PID meetings is being specified.
2.3	Paragraph 2.2.6.2 of Chapter 6 of MSECC on ‘Meeting of PIDs’ stipulates- 1. PIDs to prepare a report on the working of committees of which they are members and circulate the same to other PIDs, 2. PIDs to submit a report on outcome of such meetings to SEBI and governing board of MIIs, within 30 days of such meeting.	It is proposed that- 1. During PID meetings, the PIDs shall discuss amongst themselves and update on the working of committees where they are members, however, the requirement to prepare report on working of committees may be discontinued. 2. PIDs shall continue to submit a report on outcome of such meetings to the Governing Board of the MII within 30 days of such meeting. However, the submission of such report to SEBI may be undertaken only in case there are important issues which may involve conflict of interest for the MII or may have significant impact on the market.	1. <u>Challenges in report preparation-</u> 1.1 The exchanges have submitted that preparation of report on working of each committee where PID is a member is an onerous task for PIDs due to multiplicity of meetings and agenda items discussed therein. 1.2 Moreover, it is understood that the reports are being prepared by PIDs without the assistance of exchange secretarial teams, given the sensitive nature of PID meetings. 2. <u>PID meeting report:</u> On the content of report, it is understood that, 2.1 Generally, the PID meetings report submitted to SEBI is in the nature of NIL report. 2.2 Issues related to functioning of MIIs are also

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			assessed through existing supervisory mechanisms such as on-site inspections, off-site alerts etc. In view of the above, simplification of the requirement can be considered and adopting an exception based reporting approach on filings to SEBI is being recommended.
2.4	Paragraph 2.3.2.3.3 on 'Evaluation mechanism' under 'Performance review of PIDs' of MSECC states that for external evaluation of PIDs, the consultant shall take into consideration the performance of PID for entire tenure at least upto 4 months before expiry of his/her term. However, Part - H of Schedule - II, of SECC Regulations, states that in case of extension of the term of the PID, the exchange shall apply to SEBI four months before the expiry of their term.	It is proposed to modify the time period for performance review of PIDs under Paragraph 2.3.2.3.3 to- from start of term upto at-least 6 months before expiry of term.	Based on representations received from MIIs, it is understood that- 1. Procedurally, in case of extension of term of PID, firstly, performance evaluation has to be undertaken, the report is to be placed before NRC, then Governing Board and thereafter the name has to be forwarded to SEBI. As the time period to be covered in performance evaluation is atleast upto 4 months before expiry of term, whilst, the time period for sending application for extension of PID to SEBI is also four months before expiry of term, there are practical difficulties in ensuring compliance with these two requirements. 2. Further, exemptions have also been sought by the MIIs from SEBI in respect of the aforesaid requirements.

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			In consideration of the practical entanglement of the timelines, modifications are being recommended.
2.5	Clause A(I)(i) of Annexure 1 of MSECC which deals with Terms of reference of Member Committee(MC) at exchanges is as under <i>For enforcement actions against violations, where no discretion of MC is involved, the same could be delegated to an Internal Committee(IC), provided corresponding regulatory action, including penalty amount, if any, is standardised in the policy framed by MC or through a circular issued by the stock exchange or SEBI. If the same is delegated, quarterly report in this regard should be placed before MC by the IC.</i>	It is proposed that for enforcement actions in case of violations where no discretion of MC is involved, the same could be delegated to an Internal Committee or functional Department Head. If the same is delegated, quarterly report in this regard should be placed before MC by the IC/functional Department Head.	Based on representation received from the exchanges, towards simplifying the processes in implementing regulatory action, delegation of imposition of standardized penalties to the functional department head as well, is being recommended.
2.6	Paragraph 2.4.10.6 of MSECC mandates exchanges to submit to SEBI on a quarterly basis an exceptional report regarding shareholders who are not fit and proper and action taken thereof.	It is proposed that the exceptional report on shareholder not fit and proper may be submitted to the Regulatory Oversight committee of the exchange on quarterly basis.	Towards delegating more authority and responsibility to the exchanges and as this information is also covered during inspections as well through offsite supervision mechanism, the modification is being recommended. It will also reduce cost of compliance.
2.7	Paragraph 2.9.1 of MSECC provides the cut-off date as May 30, 2012 for applicability of exit policy for de-recognized/non-operational stock exchanges. This means that exchanges that stands de-recognized/applied for de-recognition as on this date	It is proposed that cut-off date be updated and made applicable for stock exchanges that stand de-recognized/applied for de-recognition as on or after the date of issuance of this circular.	The current cut-off date in the exit policy for exchanges covers those exchanges which stands de-recognized/ applied for de-recognition as on May 30, 2012, however, the same is silent on its applicability for exchanges which have

Sr. No.	Current Provisions	Changes proposed	Rationale for change
	fall within the purview of this policy.		applied for de-recognition/exit after this date. Hence, in order to provide clarity on the applicability of the exit policy and make it more forward looking, this update is being proposed.
2.8	Paragraph 2.9.2 of MSECC sets out the criteria of minimum annual trading turnover of Rs 1000 crore for an exchange, failing which an exchange can apply to SEBI for voluntary surrender of recognition/exit or SEBI can proceed with compulsory de-recognition/exit of the exchange.	It is proposed to modify this threshold and update the same as 'Rs 1000 Crore or such other higher amount as may be decided by SEBI from time to time'.	The current threshold of Rs 1000 Crore as minimum annual trading turnover was prescribed way back in 2012 and since then there has been a considerable increase in the turnover across exchanges. Accordingly, the proposed change is a step towards aligning the norms with the ground realities.
2.9	Paragraph 2.9.5.4 of MSECC deals with treatment of assets of de-recognized exchanges which, inter-alia, states that in case of de-recognition and exit, the stock exchange shall contribute upto 20% of its assets(after tax) towards SEBI IPEF for investor protection and in order to cover any future liabilities, if any. The contribution may be decided by SEBI taking into account, inter-alia, governance standards of the stock exchange and estimation of future liabilities.	It is proposed to modify this requirement and remove the part related to determination of contribution by SEBI based on governance standards and estimation of future liabilities.	The responsibility on exchange to set aside sufficient funds for any future liabilities is covered under paragraph 2.9.6.5 of MSECC. Hence, in order to remove duplication of requirements this modification is being recommended.
2.10	Paragraph 2.9.6.1 of MSECC, inter-alia, states that exchanges shall transfer 1% of security deposit available with them to SEBI IPEF and subsequently the same shall be returned to the issuer company.	It is proposed to discontinue this requirement.	The requirement to deposit 1% of issue size has been discontinued vide SEBI circular dated November 21, 2024. Hence, in view of its obsolescence this requirement is being discontinued.

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2.11	Paragraph 2.11.5 of MSECC deals with action to be taken against Exclusively listed companies(ELC) on the Dissemination Board(DB), which are yet to submit their plan of action to designated exchange regarding their intention to comply with listing or to provide exit. Subsequently, paragraph 2.15.3 also provides the course of action to be taken against ELCs which have not submitted a plan of action to the designated exchange.	It is proposed that the list of actions given under paragraph 2.11.5 and 2.15.3 may be merged as following- 1. Paragraph 2.11.5.1.1 may be discontinued as more stringent action is proposed under 2.15.3.2. 2. Paragraphs 2.11.5.1.2, 2.11.5.1.3, 2.11.5.1.4, 2.15.3.1, and 2.15.3.3 may be continued.	Herein, for the same nature of non-compliance, two separate actions are being envisaged, at different points in time. Hence, towards, simplification of norms, a singular course of action to be taken against such ELCs is being recommended.
2.12	Paragraph 2.12 of the MSECC provides for extension of timeline to Exclusively Listed Companies(ELCs) to submit plan of action to designated exchanges for listing/exit to shareholders till March 31,2017	It is proposed to discontinue this requirement and remove the provision from the MSECC.	This provision is in the nature of extended timeline granted to the ELCs at that point in time and since the same has already lapsed, this is an obsolete requirement. Hence, this is a step towards discontinuation of obsolete requirements.
2.13	Paragraph 2.11.4.1 of MSECC states that: The ELCs on the Dissemination Board(DB) which are yet to indicate their intention to comply with listing or to provide exit shall submit their plan of action to designated stock exchanges, failing which the designated exchange shall recommend action as specified under this circular.	It is proposed to modify this requirement and ELCs shall be required to submit their plan of action to designated stock exchange within 3 months of moving to DB, failing which the designated exchange shall recommend action as specified under this circular.	The extant norms are silent on timelines for submission of plan of action by ELCs to designated exchange, which gives undue headroom to the ELCs and creates uncertainty for the shareholders. Hence, in order to remove these ambiguities, introduction of 3 months' timelines is being suggested.
2.14	Paragraph 2.11.4.2 of MSECC states that the designated stock exchanges shall review the plan of action received from ELCs(either to list or provide exist to shareholders) and	It is proposed to modify this requirement and specify the timeline for designated exchange to review and ensure completion of the entire action plan as	The current norms do not clearly specify the starting point from which the timeline of 6 months is to be ascertained. Hence, in order to provide more clarity on the regulatory

Sr. No.	Current Provisions	Changes proposed	Rationale for change
	ensure completion of the process within 6 months	within 6 months from receipt of plan of action from ELCs.	expectation, date of receipt of plan of action from ELCs is to be made the starting point.
2.15	Paragraph 2.11.5.1 of MSECC states that the promoters/directors of ELCs on DB shall be liable for actions in case they have failed to demonstrate adequacy of efforts to provide exit to their shareholders	It is proposed to modify this requirement and promoters/directors are to be liable for actions in case they have failed to provide exit to shareholders within prescribed timelines.	In the extant norms, the phrase 'ELCs to demonstrate adequacy of efforts' does not clearly specify what is adequate efforts, which may leave undue headroom for the ELCs and create uncertainty for shareholders. Hence, the proposal is intended to provide clarification to the promoters/directors of ELCs, shareholders as well as the designated exchange.
2.16	Paragraph 2.13.2.2 of MSECC deals with procedures to address any conflict arising out of listing of an exchange on any recognized stock exchange, other than itself. Herein, it is, inter-alia, stated that- 1. Independent Oversight Committee of the listing stock exchange shall exercise oversight at the second level to deal with the conflicts, if any.	It is proposed to modify this requirement and replace Independent Oversight Committee of the listing exchange with Regulatory Oversight Committee.	1. <u>Non-applicability:</u> Currently, the Independent oversight committee (IOC) is not a statutory committee mandated by SEBI. Hence, the independent oversight committee as second level is no longer applicable. 2. <u>Coverage in terms of Reference in another committee:</u> The exchanges have submitted that the role of IOC have been subsumed within the TOR of Regulatory Oversight committee (ROC) at exchanges. In consideration of above, modification of the committee responsible for this function is being proposed.

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2.17	Paragraph 2.13.2.3 of MSECC deals with procedures to address any conflict arising out of listing of an exchange on any recognized stock exchange, other than itself. Herein, it is, inter-alia, stated that- An independent Conflict Resolution Committee (CRC) constituted by SEBI, with an objective for independent oversight and review, shall monitor potential conflicts between listed and listing stock exchange on a regular basis. The listed stock exchange aggrieved by the decision of the Independent Oversight Committee of the listing exchange may appeal to the CRC.	It is proposed to modify this requirement as under: The listed stock exchange aggrieved by the decision of the Regulatory Oversight Committee of the listing exchange may appeal to a Conflict Resolution Committee(CRC) which may be constituted by SEBI in case of conflicts between listed and listing stock exchange.	The grounds for modification are as under: 1. Conflict Resolution Committee is not a statutory committee mandated by SEBI 2. The Exchanges have submitted that till date no conflict has arisen between listing and listed exchanges. 3. Constitution of CRC is an adhoc requirement which may be invoked as and when situation of conflict arises. This is in the nature of simplification of norm and updating it in line with the actual requirement(i.e. when conflict between listing and listed exchanges arises)
2.18	Paragraph 2.14 of the MSECC provides for extension of timeline to ELCs to submit plan of action to designated exchanges for listing/exit to shareholders till June 30, 2017	It is proposed to discontinue this requirement and remove the provision from the MSECC	This provision is in the nature of extended timeline granted to the ELCs at that point in time and since the same has already lapsed, so this is an obsolete requirement. Hence, this is a step towards discontinuation of obsolete requirements.
2.19	Paragraph 2.16 of MSECC, inter-alia, has specified the guidelines on outsourcing of activities by stock exchanges. Based on these guidelines the exchanges are required to formulate an outsourcing policy.	It is proposed to clarify that these guidelines are the minimum standards which is compulsory to be followed and the exchanges may frame more stringent guidelines.	It is given to understand that there are differences in interpretation of this provision as exchanges may hold the view that these guidelines are suggestive best practices and non-binding and not mandatory to be followed. Hence, in order to provide more clarity on the regulatory expectation, the changes are being recommended.

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2.20	Paragraph 3 of MSECC deals with subsidiary management by stock exchange. Herein, broadly, the below requirements are covered- 1. Conditions for floating/promoting a subsidiary company by small stock exchanges 2. Eligibility criteria to become trading member and / or clearing member of the derivatives segment of BSE and NSE 3. Subsidiary Management	It is proposed to discontinue this requirement and remove the provision from MSECC	From analysis of genesis and usage of this requirement, it is noted that- 1. <u>Ad-hoc Substitute of Exit policy:</u> This provision was in the nature of transitory arrangement or one-time opportunity granted to small stock exchanges as there was no exit policy/winding down policy for exchanges at that point in time. 2. <u>Usage of this requirement:</u> The interested small exchanges have already availed the benefit of this provision at that point in time and floated their subsidiaries. 3. <u>Redundancy of the policy:</u> With the introduction of exit policy for de-recognition/exit of stock exchanges, this requirement may no longer be relevant. 4. <u>Non-applicability of the policy:</u> Certain specific conditions mandated for such subsidiaries acting as brokers under clause 3.1 of the MSECC are no longer applicable pursuant to introduction of Clause 2.9.4.1, which states that in case of de-recognition, subsidiary company shall continue to function as broking entities in compliance of SEBI (Stock brokers) Regulations,

Sr. No.	Current Provisions	Changes proposed	Rationale for change
			1992. This clearly implies that, the specific conditions for such brokers are no longer be applicable and they are treated at par with other brokers by the exchange. The same has also been confirmed by the exchanges. Accordingly, this is a step towards discontinuation of obsolete requirements.
2.21	Paragraph 6.1 (A) of MSECC lists the permissible usage of Investor Protection Fund which states that- 1. 70% of the interest or income from IPF is to be ploughed back to IPF 2. Maximum of 5% of interest or income from IPF may be used to meet the expenses related to dedicated employees of IPF Trust, administration of Investor Service Centers (ISCs), other administrative and statutory expenses such as applicable taxes, audit fees and charity commissioner's fee, etc. 3. Balance 25% to be used for promotion of investor education and investor awareness programs. However, letter dated November 13, 2020 issued to NSE, inter-alia, mandates NSE to utilize the entire interest on IPF corpus only	Harmonize the norms related to utilization of interest on IPF for all exchanges by removal of restriction imposed on NSE vide letter dated November 13, 2020.	Based on representation received from NSE, towards ensuring parity in the permissible usage of Investor protection Fund across exchanges, it is recommended to discontinue this restriction imposed on NSE.

Sr. No.	Current Provisions	Changes proposed	Rationale for change
	for meeting investor claims by making it part of IPF corpus.		
2.22	Paragraph 6.1 of MSECC stipulates the setting up of Investor Protection Fund(IPF) by exchanges in order to take care of legitimate investment claims of clients of defaulter members. Similarly, in terms of Paragraph 13.1 of Master Circular for Commodity Derivatives exchanges maintain separate IPF for commodity segment.	It is proposed to merge the IPF for equity segment and that of Commodity segment of exchanges and constitute a single Investor Protection Fund for an exchange. Based on analysis of the extant IPF norms, it was noted that though there are several similarities between the two IPFs, there are certain points/features of differences which need to be harmonized. These differences were reviewed, harmonized across exchanges and further placed before Secondary Market Advisory Committee(SMAC) of SEBI for deliberation and approval. The major points of differences between the IPF norms were on- 1. Contribution to IPF 2. Utilization of IPF corpus 3. Utilization of interest/income from IPF 4. Deployment of funds of IPF 5. Threshold limit for claims 6. Returning surplus amount to defaulter Trading member	The exchanges have proposed merger of Commodity IPF and equity IPF into single IPF, citing reasons which include identical objective of the funds, single regulator for both stock and commodity derivatives exchanges, single membership of brokers in both equity and commodity segments, greater operational efficiency, enhanced governance and oversight etc. A single IPF would result in simplification of requirement for the exchanges. However, the merger of IPFs will be subject to maintaining similar funds available to spend from IPF for predominantly Commodity Derivatives segment exchanges.

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		7. Winding up of exchange	
2.23	Paragraph 6.1 (F)(iii) and (iv) of MSECC, <i>inter-alia</i>, states that 'Client can file claim within three years from the expiry of specified period. Any claim received thereafter may be dealt with as a civil dispute'. The aforesaid clause specifies the maximum time period from the expiry of specified within which clients can file claims against defaulter members. However, it does not specify clearly the lookback period/past period before the date of declaration of default upto which transaction made by the client can be considered eligible for compensation from IPF of exchange, in case of defaulter members.	It is proposed to amend MSECC to consider only those claims as eligible claims where underlying transactions are executed three years prior to date of declaration as defaulter.	In this regard, the exchanges have submitted that as the current norms does not specify, claims pertaining to which transaction dates prior to declaration of member as defaulter, can be filed, taking advantage of this, clients are filing claims pertaining to transactions of any old period, done even before 10 years. After rejection of such claims, clients approach the Exchange repeatedly for review of claims. Towards providing more clarity on the eligibility of claims, introducing a maximum time period/lookback period for transactions to be eligible for defaulter claims from IPF is recommended.
2.24	Paragraph 6.2(iii)(1) of MSECC deals with utilization of Investor Services Fund(ISF) of exchanges which, <i>inter-alia</i> , states that amount/interest of ISF may be used for training of arbitrators.	It is proposed that this requirement may be discontinued.	With the introduction of Online Dispute Resolution mechanism, this provisions is not applicable.
2.25	Paragraph 6.4.3.1 of MSECC states that four financial daily newspapers with at least one in the regional language of the place where the ISC is situated. In case, the financial newspaper is not available in the regional language of the place, any leading newspaper in that regional language shall be provided	It is proposed to modify this requirement to two financial daily newspapers to be made available at ISCs.	This modification is towards aligning the norms related to basic minimum facilities at ISCs in stock exchanges with that for exchanges predominantly trading in commodity derivatives segment(issued vide Circular dated May 30, 2024).

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2.26	Paragraph 7 of MSECC covers the Functions of Disciplinary Action Committee, Defaulters' Committee, Investors Service Committee, Arbitration Committee and IPF Trust.	It is proposed to discontinue this requirement and remove the provision from MSECC	1. The Disciplinary Action Committee, Defaulters Committee, Investor Services Committee are the erstwhile statutory committees at exchanges. Hereinafter, SEBI has mandated 7 new committees at MIs and the functions of the erstwhile committees are subsumed within the functions of the new committees. 2. <u>Exchange Submissions:</u> In this respect, exchanges have also submitted that the functions of Disciplinary committee, Defaulters committee are stipulated in Terms of Reference of Member Committee. Functions of Investor Services Committee are stipulated in Terms of Reference of Regulatory Oversight Committee. 3. With respect to IPF trust, the composition norms are also given under paragraph 6.1 (a) of MSECC. Further, details of functions handled by IPF trust is covered under paragraph 6.1 (I) of MSECC. Hence, towards discontinuation of obsolete requirements, the provision on function of erstwhile committees

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			at exchanges is recommended.
2.27	Paragraph 9.1 of MSECC covers guidelines on Database for Distinctive Number (DN) of Shares – Action against noncompliant companies. Herein, in case of listed companies which have failed to update DN number/DN range with Depositories, it has been mandated that depositories shall undertake certain actions such as- 1. freeze of securities held by promoters and directors of listed companies. 2. Freeze of corporate benefits 3. Retain freeze till compliance is ensure by listed companies	It is proposed to discontinue this requirement and remove the provision from MSECC	With respect to the norms on DN database, it was submitted by exchanges that- 1. <u>Major Role of RTA/issuer:</u> The details related to number of shares and distinctive numbers are uploaded in the software by the company / RTA. One interface of the DN Database is provided to Exchanges. Once shares are credited in the depository system, the RTA/Company intimate the Exchange on designated email ID along with Exchange letters giving listing/IP approvals. From discussion with Depositories, it is understood that the role of exchanges is limited to providing details of promoters/directors of non-compliant companies to the depositories for taking consequential actions of freezing. 2. <u>Limited role of exchanges:</u> The only role of the Exchange is to update the dates of in-principle listing and trading approvals for such shares in the DN database. 3. <u>Master Circular for Depositories and DPs:</u> This requirement forms part of the

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			Master circular for Depository and DP.
2.28	Paragraph 10 of MSECC deals with Principles of Financial Market Infrastructures (PFMIs). Herein, the below details are covered- 1. PFMI principles and their applicability 2. Definition of Financial market infrastructures(FMI) 3. Self-assessment to be carried out by FMIs	It is proposed to discontinue this requirement and remove the provision from the Master Circular	On review of the requirement and based on submissions received from exchanges, it is noted that- 1. <u>Applicability of PFMI Principles:</u> The CPSS-IOSCO Principles for Financial Market Infrastructures(FMI) apply to systematically important FMIs such as Central Counterparty (CCP), Central Securities Depository (CSD)/ Securities Settlement System (SSS), Payment and Settlement Systems (PSS) and Trade Repository (TR) which are responsible for providing clearing, settlement and recording of monetary and other financial transactions. The same does not extend to stock exchanges. 2. <u>Applicability of source circular:</u> The genesis of this requirement viz. December 19,2023 Circular was also categorically addressed to Recognized Clearing Corporations and Depositories. 3. <u>Coverage in master Circular</u> for

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			<u>Depositories and DPs</u>: The same is covered in Master Circular for Depositories dated December 03, 2024 at Section 4 under Clause 4.28. 4. Confirmation on Non-applicability of this requirement has also been received from exchanges. In view of the above, towards segregation of requirements pertaining to other MIs from those applicable solely to exchange, remove of this requirement is proposed.
2.29	Paragraph 2.5 of MSECC envisages the Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Contribution to the Settlement Guarantee Fund. Paragraph 2.6 of MSECC provides for 'Disclosures relating to regulatory orders and arbitration matters on websites of Clearing Corporations.' Paragraph 2.8 of MSECC provides for 'Framework for Orderly Winding Down of Critical Operations and Services of a Clearing Corporation' Paragraph 2.16 of MSECC stipulates the Outsourcing of activities by Stock Exchanges and Clearing Corporations Paragraph 2.18 of MSECC deals with Risk-based capital and net worth requirements for Clearing	Segregate/demerge this requirement from MSECC and prospectively to be included in the separate Master Circular for Clearing Corporations(CCs). However, till such time the separate Master Circular for CCs is formulated, the Clearing Corporations related provisions in MSECC shall continue remain in effect.	The rationale for proposal are as under- 1. The current form of single regulatory requirement of exchange and CCs has its genesis in the legacy of CCs functioning as fully owned subsidiaries of exchanges. However, in light of increasingly segregated roles of CCs, especially with introduction of interoperability, separate Clearing member registration by CCs, <i>amongst others</i>, need is felt for segregation of compliance norms. Separate Master Circular for Exchanges and CCs shall be a step towards simplification of regulatory requirement, as the compliance obligations would be

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	Corporations under Securities Contracts (Regulation) (Stock Exchanges and Clearing)		clearly delineated for the two entities.
	Paragraph 4 of the MSECC deals with the norms on interoperability among Clearing Corporations		
2.30	Paragraph 2.7. of MSECC prescribes the Standard Operating Procedure for Suspension of Trading	Segregate/demerge this requirement from MSECC	This requirement stipulates the penal actions to be taken against listed companies for non-compliance with certain provisions of LODR and Minimum Public Shareholding (MPS) norms. The regulatory provision has its genesis in and currently forms part of the Master Circular for LODR dated July 11, 2023 issued by CFD-SEBI. Further, MRD may not be privy to the amendments if any related to these provisions and the same can be updated in a timely manner by the concerned department.
2.31	Paragraph 2.20 of Master Circular deals with Handling of Clients' Securities by Trading Member/ Clearing Member.	Segregate/demerge this requirement from MSECC	This requirement stipulates the manner of handling of client securities by the Trading Members/Clearing members. The regulatory provision has its genesis in and currently forms part of the Master Circular for Stock Brokers dated May 22, 2024 issued by MIRSD-SEBI. Further, MRD may not be privy to the amendments if any related to these provisions and the same can be updated in a timely manner by the concerned department.
	Paragraph 2.21 of MSECC stipulates the Standard Operating Procedure in the cases of Trading Member / Clearing Member leading to default.		

Sr. No.	Current Provisions	Changes proposed	Rationale for change
2.32	Paragraph 5 of MSECC details the Arbitration and Investor Grievance Redressal Mechanism. Herein, broadly the below provisions are covered- 1. Online web based complaints redressal system 2. Investor Grievance Redressal mechanism at Stock exchanges 3. Arbitration mechanism at Stock exchanges 4. Streamlining issuance of SCORES authentication for SEBI registered intermediaries.	Segregate/demerge this requirement from MSECC	This requirement stipulates the arbitration and investor grievance redressal mechanism at the exchanges. The aforesaid provisions have been superseded by Circular dated July 31, 2023 and Master Circular dated August 04, 2023 for Online Dispute Resolution(ODR) issued by OIAE-SEBI. Further, MRD may not be privy to the amendments if any related to these provisions and the same can be updated in a timely manner by the concerned department.
2.33	Chapter 13 of Master Circular for Commodity Derivatives on 'Investor Protection Fund and Investor Service Fund and its related matter'. Chapter 14 of Master Circular for Commodity Derivatives on 'Investor Grievance Redressal System and Arbitration mechanism'. Chapter 15 of Master Circular for Commodity Derivatives on 'Governance and Administration of Exchanges and Clearing Corporations'.	Merge this requirement in the Master Circular for Exchanges and demerge this from the Master Circular for Commodity Derivatives	Towards simplification of requirements for an exchange, especially in light of below considerations- 1. The requirements under this chapter is same as the requirement envisaged in Master circular for exchanges 2. Multiplicity of Master circulars for a single entity viz. an exchange. 3. Commodity operates as a segment in the stock exchanges as well. Having separate master circular for a segment in an exchange may be superfluous. Accordingly, towards simplification of regulatory norms and reducing redundancies, it is suggested to merge this chapter with that for the exchanges.

Sr. No.	Current Provisions	Changes proposed	Rationale for change
2.34	Certain regulatory norms issued by MRD did not form part of latest MSECC dated December 30, 2024 as the cut-off date for compilation of the Master Circular was October 31, 2024. Therefore, such circulars pertaining to this section-Administration of Stock exchanges are also being incorporated herein. Summary of such new requirements/amendments are as under- 1. Paragraph 2.2.6 of MSECC on 'meeting of PIDs' 2. Paragraph 2.3.1 of MSECC on 'cooling off period for PIDs' 3. Paragraph 2.3.4 of MSECC on 'reappointment of PIDs' 4. Paragraph 2.19 of MSECC provides for Appointment of Managing Director and CEO 5. Process for appointment, re-appointment, termination of KMPs of MII 6. Norms for Internal Audit mechanism of MII 7. Parameters for external evaluation of statutory committees and internal evaluation of MIIs/Committees 8. Issue of consolidated Master Circular by Exchanges 9. Clarification regarding skill evaluation of Non-Independent Directors 10. Clarification on SEBI circular dated June 25, 2024	Modifications to paragraph 2.2.6, 2.3.1, 2.3.4, 2.19 of MSECC.	Inclusion of provisions contains the following circulars: 1. Circular dated November 22, 2024, 2. SECC (Third Amendment) regulations, 2025 effective from July 30, 2025. 3. Circular dated May 26, 2025. 4. Circular dated June 25, 2024 5. Circular dated May 19, 2025 6. Circular dated May 30, 2024 7. Circular dated January 30, 2025 8. Circular dated April 20, 2023 9. Email dated July 28, 2025 10. Letter dated August 22, 2024

3. PUBLIC COMMENTS

3.1 Kindly provide your comments for the below items along with supporting rationale:

- 3.1.1 Whether provisions covered under Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024 and the Master Circular for Commodity Derivatives dated August 04, 2023 be merged?
- 3.1.2 Whether provisions related to Stock exchanges and Clearing Corporations covered in Master Circulars dated December 30, 2024 and August 04, 2023 be separated?
- 3.1.3 Wherever the above two is proposed, whether any risks or issues are envisaged? Safeguards to protect against possible risks?
- 3.1.4 Wherever any redundant provisions such as those related to derecognized/exited Stock exchanges, Exclusively Listed Companies (ELCs) etc. are being removed, does it result into any risks for the securities market in general, investors in particular? Safeguards to protect against such risks?
- 3.1.5 Whether any other circular/communication needs to be incorporated in the revised Chapter on 'Administration of Stock exchanges'?
- 3.1.6 Specific comments on the detailed provisions in this consultation paper.

3.2 Public comments are also invited on the draft circular and draft circular in track change annexed to this consultation paper as [Annexure A](#) and [Annexure-B](#) respectively. The comments/suggestions should be submitted latest by **October 29, 2025**, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

The instructions to submit comments on the consultation paper are as under:

3.2.1 Before initiating the process, please read the instructions given on top left of the web form as "Instructions".

- 3.2.2 Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.
- 3.2.3 All fields in the form are mandatory.
- 3.2.4 Email ID and phone number cannot be used more than once for providing comments on a particular consultation paper.
- 3.2.5 If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.
- vi. There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.
- 3.2.6 If you want to provide your comments for the selected proposal, please select
- 3.2.7 “Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.
- 3.2.8 After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
- 3.2.9 If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.
- 3.2.10 After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
- 3.2.11 The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.

3.3 In case of any technical issue in submitting your comment through the web based public comments form, you may contact the following through email with the subject: "***Modifications to Master Circular for Stock Exchanges and Master Circular for Commodity Derivatives Segment- on Administration of Stock Exchanges***"

a) Lamber Singh, DGM (lammers@sebi.gov.in)

b) Kennedy Rina, AGM (rinak@sebi.gov.in)

c) Sharaffkhana V S Vamsi Kiran, AM (vamsikiransvs@sebi.gov.in)

Encl.: [Annexure A](#) and [Annexure B](#)

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