

VSE STOCK SERVICES LTD.

Wholly Owned Subsidiary of Vadodara Stock Exchange Limited

Registered Office : 3rd Floor, Fortune Tower, Sayajigunj, Vadodara - 390 005.
Tel. : (0265) 2361534 ● Fax : (0265) 2361452 ● E-mail : vse@d2visp.com
Website : www.vselindia.com ● For Investor grievance : lgcvs@vselindia.com



VSSL/CEO-CS/2013-14
7th February, 2014

To,
The General Manager
MIRSD II
SEBI Bhavan
Plot No C4-A, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai-400 051.

म. व. 14. व. SEBI
सं/No 138343
दिनांक
Date 14 FEB 2014



SEBI/IW/P/20140215/0000138343

R12
14/2
Agn-61

Sub: Request for Interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992.

We, VSE Stock Services Limited, wholly owned subsidiary of Vadodara Stock Exchange Limited, is a registered trading member of NSE (SEBI Regn. No. INB231199739) BSE (SEBI Regn. No. INB011199735) and MCX-SX (SEBI Regn. No. INE261199739)

This communication is a request for Informal Guidance under the SEBI Informal Guidance Scheme, 2003 and to obtain interpretive letter regarding regulation 15A of SEBI (Stock Brokers & Sub brokers) regulation 1992.

Accordingly we hereby enclose a cheque No. 075356 of Rs. 25,000 in favour of SEBI being the fees payable under the scheme. (Annexure 1)

The objective of approaching SEBI with a request under this scheme is to seek opinion on the interpretation of Regulation 15A of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992 in the context to SEBI regulation 2003 para 15 A (amended) regarding appointment of individual trading member /brokers on the board of the company. Particularly in similar case SEBI has informed PSE Securities Ltd, that para 15 A (amended) is not applicable to Subsidiary of RSE.

We furnish hereunder the facts relating to the case in question with a request to give us your opinion in the matter.

Facts of the Case

1. VSE Stock Services Limited (hereinafter referred to as "VSSL") is a 100% subsidiary Company of Vadodara Stock exchange Limited. It was formed to enable the brokers of the parent exchange i.e. Vadodara Stock Exchange Limited, to trade through NSE/BSE or any other Exchanges' platform, by becoming the sub brokers of the Company as per

SEBI directives issued vide circular (SMD-II/POLICY/CIR-37/99) dated November 26, 1999.

2. In this regard we have to submit that the present practice of appointment of the Trading Member Directors on the Governing Board of the Company is that we request our parent Company, Vadodara Stock Exchange Ltd, to suggest/nominate names of the Directors, eligible to be appointed as Directors on the Governing Board of VSSL. On receiving suggested names of Directors from VSEL, we submit the proposal to our Board, for approval. Then the approval is given to appoint Directors subject to respective stock exchanges' approval, where we are member.
3. We then seek approval from respective stock exchanges where we are member and consequently we appoint them as the Directors on the Governing Board of our Company, following process as stated above, till today we have received their required approval without any remarks. In this manner we have appointed our individual sub-brokers as Directors.

Now we have learnt that vide SEBI (Stock Brokers and sub brokers) (Amendment) Regulation, 2003 para 15A (amended) that reads as under:

"Director not to act as sub-broker

No Director of a stock broker shall act as a sub broker to the same stock broker"

Under these circumstances, it means we cannot appoint Directors on our Board, if they are our individual sub-brokers.

4. The problem that we face now is as to how the appointment of these individual Directors be regularized, in view of Regulation 2003 para 15A (amended) if it is applicable to our Company (i.e. Subsidiary of Regional Stock Exchange). Also what procedure we follow for appointment of Directors in future.

We had referred this problem to NSE, BSE and MCX-SX, but they advised to refer it to SEBI. The reply we received from them is as under:

NSE: Suggested to seek advice from SEBI.
(Copy attached herewith)-**Annexure-2**

BSE: Had forwarded SEBI's reply to PSE Securities Limited, in similar case stating that 15A (amended) is not applicable to Subsidiary of RSE.
(Copy attached)-**Annexure-3**

Further suggested to seek advice from SEBI, as above reply of SEBI to PSE Securities Limited was case to case reply.

We request you kindly to advice, for following:

- a. **Whether Regulation 15A of SEBI (Stock Broker Sub Broker) Regulation, 1992, is applicable to the subsidiaries (VSSL) of stock exchanges (VSEL)? If yes, then what action Company (VSSL) should take for already appointed existing trading member Directors approved by all the Exchanges?**

- b. Whether a sub broker, in individual capacity, of the Company i.e. VSSL (a subsidiary of Vadodara Stock Exchange Limited) can become a Director of VSSL?
- c. Whether a person who is a partner of the firm which is a sub broker of VSSL (subsidiary of Vadodara Stock Exchange) can become a Director of VSSL?
- d. Whether a person who is a Director of a company which is a sub broker of VSSL (subsidiary of Vadodara Stock Exchange Limited) can become a Director of VSSL?

Your prompt reply will be highly appreciated by us.

Thanking you,

Yours faithfully,
For VSE Stock Services Limited


(Prachi Saraiya)
CS & Compliance Officer

Encl:

1. Annexure-1-A Cheque No. 075356 of Rs.25000/-
2. Annexure-2-NSE's reply to us.
3. Annexure-3-BSE's reply to us along with SEBI's reply to PSE Securities Limited.

Oct 30 at 3:46 PM

Compliance-Mumbai NSE Assist
To Me

Dear Prachi,

You are requested to take up this matter with SEBI.

Thanks & Regards,
Membership-Compliance.

hide message history

-----Original Message-----

From: Prachi Saraiya (csvssl@yahoo.com)

Date: Wednesday, October 30, 2013 12:18 PM

To: Compliance-Mumbai NSE Assist (compliance@nse.co.in)

Cc: CEOVSSL (ceovssl@yahoo.com)

Subject: Re: Advice required for appointment of Directors on the Governing Board of the Company

Dear Sir/ Madam,

Please find attached copy for query on appointment of Director.

Thanks & regards

Prachi Saraiya
CS & Compliance Officer
VSE Stock Services Limited

On Wednesday, October 30, 2013 12:00 PM, Compliance-Mumbai NSE Assist <compliance@nse.co.in>
Dear Gauri/Prachi,

Kindly re-send the attachment file, as the same has not been enclosed with the mail.

In case of any queries kindly contact the membership compliance department on 1800

-----Original Message-----

From: Prachi Saraiya (csvssl@yahoo.com)

Date: Friday, October 25, 2013 11:49 AM

To: NSE Membership

(minward@nse.co.in); compliance@nse.co.in(compliance@nse.co.in); memops@nse

Cc: CEOVSSL (ceovssl@yahoo.com)

Subject: Advice required for appointment of Directors on the Governing Board of the (

Dear Sir/ Madam,

With reference to above subject, we seek your advice on appointment of Directors as Designated and of the Company.

Facts of the case has been attached for your reference.

we draw your kind attention to Regulation 15A of SEBI (Stock Brokers and sub-brokers) (Amendr attached).

Your prompt reply in this connection is highly appreciated.

Thanks & regards

Prachi Saraiya
CS & Compliance Officer
VSE Stock Services Limited

Today at 12:47 PM

Chirag Sodawaterwalla

To Me CEOVSSL Membership Compliance and 3 More...

Dear Sir/ Madam,

We refer to your email below on the captioned matter.

To a similar query from PSE Securities Ltd., SEBI had issued an interpretative letter dated 26/2/2010, under informal guidance, wherein, inter-alia, in their view the provisions of Regulation 15A is not applicable to the subsidiaries of the regional Stock Exchanges which are registered as stock brokers under the Brokers regulations. A copy of the said letter can be viewed at the following link on SEBI's website:

<http://www.sebi.gov.in/informalguide/pseinformal.pdf>

However since the aforesaid letter issued by SEBI to PSE Securities Ltd. is a case specific, the member may approach SEBI and seek suitable guidance in the matter.

Regards

Chirag Sodawaterwalla
AGM, Membership Operations

Save paper, save environment ! Think before you print. There can be substitute for paper, not for trees !

— Forwarded by Chirag Sodawaterwalla/BSE on 25/10/2013 02:25 PM —

From: Prachi Saraiya <csvssl@yahoo.com>
To: "compliance@bseindia.com" <compliance@bseindia.com>, "chirag.sodawaterwalla@bseindia.com" <chirag.sodawaterwalla@bseindia.com>, "membership@bseindia.com" <membership@bseindia.com>
Cc: CEOVSSL <ceovssl@yahoo.com>
Date: 25/10/2013 11:56 AM
Subject: Advice for appointment of Directors on the Governing Board of the Company

Dear Sir/ Madam,

With reference to above subject, we seek your advice on appointment of Directors as Designated and Ordinary on the Governing Board of the Company.

Facts of the case has been attached for your reference.

we draw your kind attention to Regulation 15A of SEBI (Stock Brokers and sub-brokers) (Amendment) Regulations 2003, (copy attached).

Your prompt reply in this connection is highly appreciated.

Thanks & regards

Prachi Saraiya
CS & Compliance Officer
VSE Stock Services Limited

GENERAL MANAGER
MIRS DEPARTMENT - II
February 26, 2010
MIRSD-2/AK/IG/196818/2010

PSE Securities Limited,
Shivleela Chambers,
752, Sadashiv Peth,
R.B. Kumthekar Marg,
Pune - 411030.

Dear Sir,

Sub: Request for Interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 {the Brokers Regulations}

1. You have vide your letter dated January 15, 2010 requested for an interpretive letter on whether Regulation 15A of the Brokers Regulation is applicable to the subsidiaries of stock exchanges.
2. You had represented as under;
 - a) Regulation 15A of SEBI (Stock Broker Sub Broker) Regulation, 1992, reads as follows:

"No director of the stock broker can act as sub broker to the same stock broker."
 - b) It was also informed to the board (of PSE Securities Limited) that as per SEBI circular SMD/POLICY/CIR-4/2003 dated February 11, 2003, point B of para Reconstitution of Governing board which provides that

"At least 50% of Directors representing on the Governing Board of subsidiary company shall not be sub-brokers of the subsidiary company or brokers of the promoter / holding exchange (parent exchange)."
 - c) Therefore it was opined that though there are some restrictions on the composition of the Board of Directors of PSES, sub brokers can be appointed on the board of the Subsidiary.

3. Without necessarily agreeing with your analysis given in your aforementioned letter, we are of the view that provisions of Regulation 15A are not applicable to the subsidiaries of Regional Stock Exchanges, which are registered as stock brokers under the Brokers Regulations.
4. This position is based on the representation made to the Department in your letter under reference. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
5. Please note that this position is only with respect to applicability of Brokers Regulations and does not affect applicability of any law and other SEBI Regulations, Guidelines and circulars administered by SEBI or any other authority

Yours faithfully,

V S Sundaresan