



Consultation Paper for Review of Regulations and Relevant Circulars pertaining to Market Infrastructure Institutions (MIIs) viz., Stock Exchanges, Depositories and Clearing Corporations.

Objective:

- 1.1. To solicit the comments/views from public on the suggestions pertaining to amendments to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (hereinafter referred as “SECC Regulations”), Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 (hereinafter referred as “D&P Regulations”) and SEBI circular dated December 13, 2012.

2. Background

- 2.1. The SEBI Board, in its meeting held on December 22, 2009 decided to constitute a committee to examine issues arising from the ownership and governance of MIIs. Accordingly, a committee (hereinafter referred as “committee”) was constituted under the Chairmanship of Dr. Bimal Jalan, Former Governor, Reserve Bank of India.
- 2.2. The recommendations of the committee were discussed in the Board meeting held on April 02, 2012. Subsequently, SECC Regulations were notified on June 20, 2012, providing norms for recognition, ownership, governance, listing of Stock Exchanges (SEs) and Clearing Corporations (CCs). Similarly, governance norms for depositories were notified vide amendment dated September 11, 2012, in D&P Regulations.
- 2.3. Also, SEBI vide circular dated December 13, 2012 prescribed procedural norms on Recognition, Ownership and Governance for SEs and CCs, for effective implementation of the SECC Regulations.
- 2.4. The committee had recommended that the working of the MII should be reviewed by SEBI after five years, as the stock market is evolving and a review may be inevitable in light of the new technological developments, introduction of new products, growth of financial markets, trade and capital flows and global integration.

2.5. Thereafter, from time to time SECC Regulations and D&P Regulations have been amended to address the issue arising out of definition of associates, composite cap for Foreign Portfolio Investors (FPIs), inclusion of definition of commodity derivatives exchanges, increased limit of foreign investment from 5% to 15% in Indian SEs, on account of changes in the government policies, merger of FMC with SEBI, etc. Accordingly, the circular dated December 13, 2012 was also modified to provide appropriate clarifications with regard to definition of associate etc.

2.6. While SEBI has endeavored to keep the SECC Regulations, D&P Regulations and the guidance provided through various circulars in line with the ever evolving market dynamics, still many representations have been received from various stakeholder such as MIIs, on issues related to governance, ownership, concerns arising post listing of stock exchanges and depositories, etc. Therefore, it is felt that the SECC Regulations, D&P Regulations and circular dated December 13, 2012 may require a comprehensive review, so as to address the aforesaid concerns and to keep the SECC Regulations, D&P Regulations in sync with the changing market dynamics.

2.7. As mentioned above, the committee had also recommended to review the SECC Regulations after 5 years. The period of 5 years from the date of notification of SECC Regulations i.e. June 2012 will be getting over in June 2017.

3. Proposal:

To seek public comments on provisions of [SECC Regulations, D&P Regulations, and circulars dated December 13, 2012](#), so as to review the extant framework comprehensively for MIIs in sync with the evolving market structure.

4. Public Comments

4.1. In light of the above, Comments from public are invited on proposal contained in this paper and should reach SEBI latest by March 31, 2017.

The comments may be sent by email to dsa_mrd@sebi.gov.in or alternatively may be sent to following address:

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