



GENERAL MANAGER
MARKET INTERMEDIARIES REGULATION
& SUPERVISION DEPARTMENT-2
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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

MIRSD-2/KR/GN/OW/18513/2014
June 27, 2014

The Chief Executive Officer,
M/s. VSE Stock Services Ltd.,
3rd Floor, Fortune Tower,
Sayajigunj, Vadodara - 390005

Dear Sir,

Sub: Request for Interpretative Letter under the SEBI (Informal Guidance) Scheme, 2003 in relation to SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 (the Broker Regulations)

1. This has reference to your letters dated February 7, 2014, March 28, 2014 and April 25, 2014 (received on May 12, 2014) seeking an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003.
2. In your letter, you have represented the following:
 - a. VSE Stock Services Ltd. (VSSL) is a 100% subsidiary of the Vadodara Stock Exchange Ltd. (VSEL) and is registered as a member on the National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd.
 - b. As per present practice of appointment of Directors to the Governing Board, VSSL has appointed one of its individual sub-brokers as its Director.
 - c. As per the SEBI (Stock Brokers & Sub-brokers) (Amendment) Regulations, 2003, Regulation 15A was inserted, which reads as follows:

"No director of the stock broker can act as sub broker to the same stock broker."
 - d. Therefore, in view of Regulation 15A, VSSL cannot appoint Directors, who are its individual sub-brokers, on its Board. Hence, how should the appointment of the Director already appointed be regularized by VSSL. Further, what procedure should VSSL follow in the future for appointing its Directors.
3. In view of the above submissions, you have sought guidance on the following issues:
 - a. Whether Regulation 15A of the Broker Regulations are applicable to subsidiaries of stock exchanges? If yes, then what action should VSSL take for the already appointed Directors who are their sub-brokers?

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अनुवर्ती :
Continuation:

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- b. Whether a sub-broker of VSSL, in its individual capacity, can become a Director of VSSL?
- c. Whether a person who is a partner of a firm, which is a sub-broker of VSSL, can become Director of VSSL?
- d. Whether a person who is a Director of the company, which is a sub-broker of VSSL, can become Director of VSSL?

Our Comments:

- 4. The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our views on the issues raised in your letter are as follows:
 - a. Provisions of Regulation 15A are not be applicable to the subsidiaries of Regional Stock Exchanges, which are registered as stock brokers under the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 and
 - b. Partners/ directors of a sub-broker, affiliated to stock brokers who are subsidiaries of Regional Stock Exchanges, can be appointed as Directors on the Board of said stock brokers.
- 5. Please note that the abovementioned views are applicable only till the stock broker remains a subsidiary of a recognized Regional Stock Exchange.
- 6. 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.
- 7. 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,

Krishnanand R.