

DEPUTY GENERAL MANAGER

Market Regulation Department

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MRD/DoP/SE/Cir- 5/2005

February 9, 2005

The Executive Directors / Managing Director/Administrators of All Stock Exchanges

Dear Sir / Madam,

Sub: Election to the Governing Board of Stock Exchanges

1. Whenever the Governing Board of a Stock Exchange fails to comply with the provisions of the SC(R)A, SC(R)R, Bye-laws of the Stock Exchange and/or fails to implement the Directions/Guidelines issued by SEBI from time to time, it results in failure in governance. On such occasions, in order to ensure the safety and integrity of the Stock Exchange and that the transactions on the Stock Exchange are carried out as per the regulatory framework and the interest of investors are not jeopardized, SEBI in exercise of its powers u/s 11 of the SC(R)A has superceded the Governing Board of the concerned Stock Exchange and has appointed an Administrator for specified period.
2. As a matter of better governance of the Stock Exchange, it is felt necessary that members of Stock Exchange who were on the Governing Board of the Stock Exchange at the time of supercession need to be excluded from the reconstituted Governing Board of the Stock Exchange for a period of two years, as they had earlier failed to take effective action during their tenure on the Governing Board.
3. Therefore, it has been decided that a member of the Stock Exchange who was on the Governing Board of the Stock Exchange at the time of its supercession would not be eligible for re-election to the Governing Board of the Stock Exchange for a period of 2 years from the date of expiry of the order of supercession passed by SEBI. Further, the Stock Exchanges may provide for this disqualification in their Rules.
4. Accordingly, the Stock Exchanges are advised to -
 - 4.1. ensure compliance of requirements of para 3 of this circular.
 - 4.2. make necessary amendments to the relevant rules in accordance with the above decision immediately.

- 4.3. bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.
- 4.4. communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report for the month of February 2005.
5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

V S SUNDARESAN