

Chief General Manager

Market Regulation Department-Division of Policy

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**The Managing Directors / Chief Executive Officers /
Executive Directors / Officiating Executive Directors
of all the Stock Exchanges,**

Dear Sir / Madam

Subject: Guidelines in respect of exit option to Regional Stock Exchanges

SEBI Board has approved the broad guidelines as under, to provide an exit option to such Regional Stock Exchanges (RSEs) whose recognition is withdrawn and/or renewal of recognition is refused by SEBI and RSEs who may want to surrender their recognition. In all such cases, an appropriate order will be passed by SEBI.

As per the said guidelines, such RSEs (or their successor entities) may be permitted to retain movable and immovable assets and to deal with such assets as they deem fit subject to compliance with the following conditions:

1. The Investor Protection Fund, Investor Services Fund, 1% security deposit available with such exchanges shall be transferred to the SEBI Investor Education and Protection Fund. The 1% security deposit shall subsequently be returned to the issuer company in due course on satisfying the prescribed conditions.
2. Statutory dues outstanding to SEBI including 10% of the listing fee and the annual regulatory fee, shall be transferred to SEBI.
3. Consequent upon de-recognition, the trading members of such exchanges shall cease to be trading members and therefore liable to be de-registered as stock brokers, and their certificate of registration granted by SEBI shall accordingly stand automatically cancelled.
4. The brokers/trading members of such de-recognised stock exchanges shall be liable to pay SEBI registration fees as per Schedule III of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 till the date of such de-recognition. Dues of the brokers to SEBI shall be recovered by the exchange out of the brokers' deposits / capital /

share of sale proceeds / winding up proceeds / dividend payable, etc. available with the exchange and transferred to SEBI.

5. In case the stock exchange, after de-recognition, continues as a corporate entity under the Companies Act, 1956, it shall not use the expression 'stock exchange' or any variant in its name or in its subsidiaries name so as to avoid any representation of any present or past affiliation with the stock exchange.

6. The subsidiaries of de-recognised stock exchanges may continue to function as any other normal broking entity with a suitable change of name so as to avoid any representation of any present or past affiliation with the stock exchange. Further, the additional conditions specified by SEBI vide circulars dated November 26, 1999 dated December 16, 1999 would not apply to the said broking entity.

7. In case of sale/distribution/transfer of assets/winding up of such exchanges/ companies, the relevant provisions of the various laws such as Income Tax Act, 1961, the Companies Act, 1956, Stamp Act, etc. would apply. SEBI would inform the concerned State Governments about derecognition of a Stock Exchange.

8. The companies which are listed in such de-recognised RSEs and also listed in any other stock exchange(s) may continue to remain listed in the other stock exchange(s). In case of companies exclusively listed on those de-recognised stock exchanges, it shall be mandatory for such companies to either seek listing at other stock exchanges or provide for exit option to the shareholders as per SEBI Delisting Guidelines / Regulations after taking shareholders' approval for the same, within a time frame, to be specified by SEBI, failing which the companies shall stand delisted through operation of law.

9. The stock exchange shall set aside sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, not implemented, if any, liabilities/claims of contingent nature, if any, and unresolved investors complaints/grievances lying with the exchange.

This circular is 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,

S V MURALI DHAR RAO