

Eligibility for acquiring or holding shares

19.

- 1) No person shall, directly or indirectly, acquire or hold any equity shares or voting rights of a recognized stock exchange or recognized clearing corporation unless he is a fit and proper person:
Provided that the onus shall be on the recognized stock exchange/recognised clearing corporation to ensure that all its shareholders are fit and proper persons:
Provided further that such a requirement to ensure that all its shareholders are fit and proper persons shall not be applicable to a recognized stock exchange for shareholding of a person who directly or indirectly, acquires or holds less than two percent equity shares or voting rights of such recognized stock exchange.
- 2) A person eligible to acquire or hold more than five per cent of the paid up equity share capital under subregulation (2) and (3) of regulation 17 and sub-regulation (2) and (3) of regulation 18 may acquire or hold more than five per cent of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of the Board.
- 3) The application for seeking approval in terms of sub-regulation (3) of this regulation shall be made to the Board in the manner specified at PART –F of Schedule –II of these regulations through the concerned stock exchange / clearing corporation.
- 4) The stock exchange / clearing corporation shall verify the declarations/ undertakings given by the shareholders under sub-regulation(4) and forward the application along with its recommendation for approval to the Board.
- 5) Any person holding two per cent. or more of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file a declaration within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing

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corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

Requirement and criteria of fit and proper

20.

- 1) The recognized stock exchange/recognized clearing corporation shall ensure that all its directors and key management personnel are fit and proper persons at all times.
- 2) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—
 - a) such person has a general reputation and record of fairness and integrity, including but not limited to—
 - i. financial integrity;
 - ii. good reputation and character; and
 - iii. honesty;
 - b) such person has not incurred any of the following disqualifications—
 - i. the person or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
 - ii. an order for winding up has been passed against the person;
 - iii. the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 - iv. an order, restraining, prohibiting or debarring the person or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the Board or any other regulatory authority and

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- a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- v. any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by the Board or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
 - vi. the Board has initiated recovery proceedings under the SEBI Act, 1992 and are pending;
 - vii. the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
 - viii. the person is financially not sound or has been categorized as a willful defaulter; and
 - ix. any other disqualification as specified by the Board.
- 3) If any question arises on the decision of a recognised stock exchange or recognized clearing corporation as to whether a person is a fit and proper person, the Board's decision on such question shall be final.

"Requirement of fit and proper.

6A. (1) Every depository, its sponsor, shareholder and participant shall satisfy the fit and proper criteria at all times.

(2) For the purpose of determining whether an applicant, depository, its sponsor, shareholder, director and key management personnel or a participant, is a 'fit and proper person' under these regulations, the Board may take into consideration the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

(3) If any question arises as to whether a person is fit and proper, the Board's decision

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on such question shall be final."

"Eligibility for acquiring or holding shares in a depository.

- 6B.** (1) No person shall, directly or indirectly, acquire or hold equity shares or voting rights of a depository unless he is a fit and proper person.
- (2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquires equity shares such that his shareholding exceeds two percent. of the paid up equity share capital of a depository, shall seek approval of the Board within fifteen days of the acquisition.
- (3) Any person holding more than two per cent. of the paid up equity share capital of the depository on the date of commencement of the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012, shall seek approval of the Board within a period of ninety days from the date of such commencement.
- (4) If approval under sub-regulation (2) or (3) is not granted by the Board to any person, such person shall forthwith divest his excess shareholding.
- (5) Any person holding more than two per cent. of the paid up equity share capital in a depository shall file a declaration within fifteen days from the end of every financial year to the depository that he complies with the fit and proper criteria.
- (6) Save as otherwise provided in these regulations, the shareholding or voting rights of any person in a depository shall not exceed the limits specified in these regulations at any point of time.
- (7) For determining the shareholding of any person in a depository as specified in these regulations, any instrument held, owned or controlled, directly or indirectly, by him that entitles him the voting rights or provides for entitlement to voting rights or equity shares or any other rights over equity shares at any future date, shall also be included."

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