

GENERAL MANAGER
MIRS DEPARTMENT - II
February 26, 2010
MIRSD-2/AK/IG/196818/2010

PSE Securities Limited,
Shivleela Chambers,
752, Sadashiv Peth,
R.B. Kumthekar Marg,
Pune – 411030.

Dear Sir,

Sub: Request for Interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 {the Brokers Regulations}

1. You have vide your letter dated January 15, 2010 requested for an interpretive letter on whether Regulation 15A of the Brokers Regulation is applicable to the subsidiaries of stock exchanges.

2. You had represented as under;

a) Regulation 15A of SEBI (Stock Broker Sub Broker) Regulation, 1992, reads as follows:

“No director of the stock broker can act as sub broker to the same stock broker.”

b) It was also informed to the board (of PSE Securities Limited) that as per SEBI circular SMD/POLICY/CIR-4/2003 dated February 11, 2003, point B of para Reconstitution of Governing board which provides that

“At least 50% of Directors representing on the Governing Board of subsidiary company shall not be sub-brokers of the subsidiary company or brokers of the promoter / holding exchange (parent exchange).”

c) Therefore it was opined that though there are some restrictions on the composition of the Board of Directors of PSES, sub brokers can be appointed on the board of the Subsidiary.

3. Without necessarily agreeing with your analysis given in your aforementioned letter, we are of the view that provisions of Regulation 15A are not applicable to the subsidiaries of Regional Stock Exchanges, which are registered as stock brokers under the Brokers Regulations.
4. 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.
5. 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,

V S Sundaresan