



# Demutualisation of The Calcutta Stock Exchange Association Limited



## INFORMATION MEMORANDUM (IM)

March 2007  
(Revised April 2007)

**PRICEWATERHOUSECOOPERS** 

## Disclaimer

PricewaterhouseCoopers Private Limited (“PwC”) has prepared this Information Memorandum (“IM”) on the basis of information provided by the Calcutta Stock Exchange Association Limited (“CSE”, “Exchange” or “company”). The sole purpose of this IM is to assist the recipients (excluding persons having trading rights on the Stock Exchange or their associates) to express their interest in participating in the demutualisation process of CSE through acquiring up to a maximum of 5%, subject to prior approval of SEBI, out of at least 51% shareholding in CSE being offered as per terms of the scheme for demutualisation of CSE, (“CSE Demutualisation Scheme”) which received approval of the Securities and Exchange Board of India (“SEBI”) on August 29, 2005.

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## **1. Submission of expression of interest (EoI)**

### **1.1. Introduction to CSE**

CSE was originally set up as an association in 1908, with around 150 broking members. The association was registered as a limited liability concern in 1923 and moved into its own premises at 7, Lyons Range in 1928. It was granted permanent recognition under the provisions of the Securities Contract (Regulation) Act, 1956 (“SCRA”), by the Government of India in 1980. In 1997, CSE launched its own electronic trading platform, the CSE Screen-based Trading and Reporting System (“CSTAR”). CSE currently has over 900 broker members, including some of the leading brokering houses in India. Around 3,000 companies, including some of the leading corporates of the country are listed on CSE. In 2005-06, the annual trading turnover at CSE was Rs.28000 million.

### **1.2. Underlying objective**

In 2003, SEBI, as part of its efforts to improve governance in stock exchanges, notified the scheme for corporatisation and demutualisation of all stock exchanges in the country. The essence of these guidelines was to segregate trading, ownership and management of the exchanges, thereby ensuring independence of stock exchanges from potential conflicts of interest between the brokers and investment communities. One of the key measures of the demutualisation exercise is to ensure induction of non-trading shareholders to the extent of 51% of aggregate equity capital of the exchange post demutualisation.

Individual exchanges were required to submit their own schemes to SEBI for its approval. As CSE was already a limited liability company, the CSE Demutualisation Scheme, which was approved by SEBI in 2005, primarily had demutualisation as its focus. The necessary resolutions for amending CSE’s Memorandum & Articles of Association were subsequently passed in an Extraordinary General Meeting during June, 2006. As part of the CSE Demutualisation Scheme, CSE is in the process of inducting strategic partners/investors, through a competitive bidding process, with each strategic partners/investors holding, subject to prior approval of SEBI, (either individually or as a consortium) a maximum of 5% of the equity shares of CSE. A copy of the approved CSE Demutualisation Scheme is enclosed as Annexure VIII.

CSE has appointed PwC to advise and manage the process of implementation of the CSE Demutualisation Scheme.

### **1.3. Invitation for EoIs**

An advertisement has been issued in the newspapers inviting interested parties to submit their ‘Expression of Interest’ (“EOI”) to act as strategic partners/investors, with each strategic partner/investor (either individually or as a consortium), subject to prior approval of SEBI, holding a maximum of 5% equity shares in CSE. A copy of the advertisement is enclosed as Annexure IA, IB & IC.

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Interested parties may submit expressions of Interest, either individually or as a consortium, for holding a maximum equity stake of 5% in CSE. In case of consortium bids, a lead bidder would need to be identified.

#### 1.4. Qualification criteria

Expressions of Interest (EOIs) may be submitted by any person or group of persons, not being shareholders having trading rights or their associates or overseas corporate bodies, but including banks, financial institutions, depositories, clearing houses, multilateral agencies, domestic/ foreign companies, either individually or as a consortium (whether incorporated or unincorporated) meeting the following criteria (based on audited results):

- a. Net worth (excluding revaluation reserves) of at least Rs. 1,000 million as on March 31, 2006<sup>1</sup>
- b. The strategic partner/investor (either individually or as a consortium) must be a 'fit and proper person' as defined under regulation 9(2) of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 ("SCRA SE Regulations") issued by SEBI.

In case of a consortium (incorporated or unincorporated) bid, the combined net worth of the constituent entities of the consortium should meet the above mentioned eligibility criteria number (a). Also, the leader of the consortium should meet at least 51 % of the above-mentioned eligibility criteria number (a). Further, in the case of a consortium bid all the constituent entities of the consortium should meet the above mentioned eligibility criteria number (b). In the case of a consortium bid, the net worth of only those members of the consortium shall be counted who propose to take at least 10 % of the equity stake in the company promoted / to be promoted by the consortium members for participating in acquiring the equity stake of CSE.

**Trading members of CSE or their associates or overseas corporate bodies shall not be allowed to bid and shall not be considered to be qualified bidders for the purposes of this IM.**

Where the financial statements are expressed in a currency other than Indian Rupee, the eligible amount as described above shall be computed by taking the equivalent US Dollars at the exchange rates (as stipulated by Foreign Exchange Dealers Association of India) prevailing on the date(s) of such financial statement.

#### Definition

- Net worth shall be the summation of the Equity share capital and the Free Reserves and Surplus (excluding revaluation reserves) as reduced by the following
  - Deferred Revenue/Miscellaneous Expenditure not written off,
  - Debit balance in Profit and Loss Account and

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<sup>1</sup> In case the financial accounting year of the interested party follows a separate closing, then Net Worth criteria will be applicable as per the latest audited accounts available

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- Cross holdings of investments amongst members in case of a consortium.
  - The expression “Fit and proper person” has been defined under Regulation 9(2) of the SCRA SE Regulation as follows:
    - “A person shall be deemed to be a fit and proper person if –
    - (i) such person has a general reputation and record of fairness and integrity, including but not limited to -
      - (a) financial integrity;
      - (b) good reputation and character; and
      - (c) honesty.
    - (ii) such person has not incurred any of the following disqualifications –
      - (a) 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;
      - (b) an order for winding up has been passed against the person;
      - (c) the person or any of its whole time directors or managing partners has been declared insolvent and has not been discharged;
      - (d) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners from dealing in securities in the capital market or from accessing the capital market has been passed by the Board or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
      - (e) any other order against the person or any of its whole time directors or managing partners which has a bearing on the capital 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;
      - (f) the person has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force; and
      - (g) the person is financially not sound.”

### **1.5. Format and submission of EoIs**

The interested parties should submit the EOI, which shall comprise the ‘Expression Letter’ (Annexure II), ‘Statement of Legal Capacity’ (the “SLC” as described more elaborately in Annexure III), ‘Request for Qualification’ (the “RFQ” as described more elaborately in Annexure IV), ‘Statement As Regards Any Indictment By Any Income Tax, Sales Tax, Customs And Excise Authorities’ (“Indictment Statement” as described more elaborately in Annexure V), ‘Declaration relating to Fit and Proper Persons’ (“Fit & Proper Person Declaration” as described more elaborately Annexure VI) and ‘Declaration as to not Being Existing Shareholder or Associate of Existing Shareholders of Calcutta Stock Exchange’ (“Existing Shareholder or Associate Declaration” as described more elaborately in Annexure VII). The Expression Letter, SLC, RFQ, Indictment Statement, the Fit and Proper Persons Declaration and the Existing Shareholder or Associate Declaration should be duly signed by the interested party/designated lead bidder of the consortium. However, the SLC, RFQ, Indictment Statement, the Fit and Proper Persons Declaration and the Existing Shareholder or Associate Declaration will have to be submitted by each member of the consortium duly signed by an authorized official of the

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member. The RFQ should be duly filled in and accompanied by the following details:

- In case of a sole bidder
  - The Audited Balance Sheet and Profit & Loss Account of the sole bidder for the last 3 financial years i.e. financial year ended 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005 and 31<sup>st</sup> March 2006<sup>2</sup>.
  - Write up on:
    - Profile of the sole bidder
    - A statement of reasons for interest in CSE
    - Any other information considered material
  
- In case of a consortium bid
  - The Audited Balance Sheet and the Profit & Loss Account of the lead bidder and other member associated in the bid for the last three financial years i.e. financial year ended 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005 and 31<sup>st</sup> March 2006<sup>2</sup>.
  - Write up on:
    - Name of the lead bidder and its profile
    - Profile of other members in the consortium
    - A statement of reasons for interest in CSE
    - Any other information considered material

Any change by way of withdrawal/ substitution of any member of the consortium or any change affecting the composition of the consortium may be permitted by CSE in its sole discretion up to the stage of submission of the bid. CSE has the sole discretion to determine the impact of the change in membership on the structure and quality of the consortium and reject a proposal without assigning any reason whatsoever.

The EoI package must be submitted in duplicate. It must be in English and each copy shall be bound in a separate volume. **Submission of the aforesaid documents by fax, e-mail or any other electronic means will not be acceptable.** The EoI, SLC, RFQ, Indictment Statement, the Fit and Proper Persons Declaration and the Existing Shareholder or Associate Declaration duly completed along with the details should be submitted not later than **1600 Hours (IST) on April 30, 2007** in a sealed envelope superscribed “**Private and Confidential – Expression of Interest for Calcutta Stock Exchange**” at the following address, marked to the attention of the under-mentioned person:

<p><b>Mr. Anindya Mallick</b> PricewaterhouseCoopers Private Limited DN-56 &amp;57, Sector V, Salt Lake Kolkata – 700091 Phone: 91-33-2357 9101 Fax: 91-33-2357 2754</p>
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<sup>2</sup> In case the financial accounting year of the interested party follows a separate closing, then Net Worth criteria will be applicable as per the latest audited accounts available

It is the responsibility of the interested party(ies) alone to ensure that its EOI package with required documents is delivered at the above mentioned address by the stated time and date. On submission of the EOI package, the bidder(s) will be provided with a receipt marked "Contents Not Verified". CSE or PwC shall not be responsible for non-receipt of correspondence.

## **1.6. Disqualifications**

CSE or PwC shall not consider for the purpose of qualification, an EOI which has been found to be incomplete in content or attachments or authenticity.

Without prejudice, a company/ consortium may be disqualified and its EOI dropped from further consideration for any of the reasons listed below:

- Material misrepresentation by such company/ member of consortium in the EOI, RFQ, SLC, Indictment Statement, the Fit and Proper Persons Declaration and/or the Existing Shareholder or Associate Declaration.
- Failure by such company/ consortium to provide the information required to be provided in the EOI, RFQ, SLC, Indictment Statement, the Fit and Proper Persons Declaration and the Existing Shareholder or Associate Declaration AND
- Submission of EOI, RFQ, SLC, Indictment Statement, the Fit and Proper Persons Declaration and the Existing Shareholder or Associate Declaration in respect of any company/ consortium, where such company or member had already submitted an EOI or is a member of a consortium, which has already submitted an EOI.

If any information becomes known after the interested party has been qualified to receive the "Confidential Information Memorandum" ("CIM") which would have entitled CSE to reject or disqualify the relevant company/consortium, CSE reserves the right to reject the interested party at the time or at any time after such information becomes known to CSE.

Where the interested party is a consortium, CSE may disqualify the entire consortium for any of the reasons specified above, even if it applied to only one member of the consortium.

The companies/ consortia not satisfying the eligibility and requisite qualification criteria specified in paragraph 1.4 are not eligible

## **1.7. Other terms**

This document constitutes no form of commitment on the part of the CSE or PwC. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed demutualisation process.

CSE reserves the right to withdraw from the process or any part thereof, to accept or reject any /all offer(s) at any stage of the process and/or modify the process or any part thereof or to vary any terms without assigning any reasons. No financial obligations will accrue to CSE or PwC in such an event and CSE expressly disclaims all liability in this respect. Neither CSE nor PwC shall be responsible for non-receipt of correspondence sent by post / e-mail / courier /fax.

The bidder shall bear all costs associated with the preparation and submission of the EOI. CSE or PwC shall not, under any circumstances be responsible or liable for any such costs, whether direct, incidental or consequential.

### **1.8. Further Process**

The EOIs submitted by interested parties shall be evaluated on the basis of criteria specified in paragraph 1.4 of this document. CSE reserves the right to reject, without assigning any reason, any EOI which, in its sole judgement, does not meet the underlying objective of the demutualisation exercise.

If at any time during the evaluation process, CSE or PwC require any clarification, it reserves the right to request such information from any or all of the companies/ consortia and the companies/ consortia will be obliged to provide the same within a reasonable timeframe. Any bid is liable to be rejected by CSE in the event that such information is not given to CSE or PwC.

Based on an evaluation of EOIs received, interested parties, which are deemed fit (“Qualified Interested Parties” or “QIP”), will be qualified to participate in the subsequent selection process (without conferring any right or expectation whatsoever to QIP). All QIPs will be required to execute a Confidentiality Undertaking. Only on execution of the Confidentiality Undertaking, each QIP will be provided with CIM and shall be invited to participate further in the process. QIPs will get an opportunity to conduct a due diligence and take up site visits and will also have access to data rooms and hold discussions with CSE officials. The rules regarding access to information in the data rooms will be provided to QIPs later. QIPs will be invited to submit a binding bid.

### **1.9. Enquiries**

CSE or PwC reserve the right not to respond to questions raised or provide clarifications sought, in their sole discretion, if it is considered that it would be inappropriate to do so. Nothing in this document shall be taken or read as compelling or requiring CSE or PwC to respond to any question or to provide any clarification. No extension of any time and date referred to in this IM shall be granted on the basis or grounds that CSE or PwC has not responded to any question/ provided any clarification.

### **1.10. Governing Laws/ Jurisdiction**

The laws of Union of India shall govern all matters relating to the process in relation to transfer to strategic partner/investor and the bidding procedure. Only Courts at Kolkata (with exclusion of all other Courts) shall have the jurisdiction to decide or adjudicate on any matter, which may arise out of or in connection with

the process relating to induction of strategic partners/ investors and the bidding procedure.

## **2. Brief Profile of The Calcutta Stock Exchange Ltd. (CSE)**

### **2.1. Introduction**

CSE was originally set up as an association in 1908, with around 150 broking members. The key products which were traded at the exchange at this point of time included sovereign debt and equity of managing agencies. The association was registered as a limited liability concern in 1923 and moved into its own premises at 7, Lyons Range in 1928. It was granted permanent recognition under the provisions of the Securities Contract (Regulation) Act, 1956 (“SCRA”), by the Government of India in 1980. By this time, there were a number of stock exchanges in India with the more prominent ones (in addition to CSE) being the ones at Mumbai, Ahmedabad and Chennai.

With the liberalization of the Indian economy in the early nineties, a number of initiatives were launched for augmenting the transparency and efficiency of financial markets. As part of these initiatives, the National Stock Exchange (“NSE”) was set up as a fully automated stock exchange with a national presence and offered a platform for trading in corporate debt and equity. Driven by competitive pressures, the larger stock exchanges like Bombay Stock Exchange (“BSE”) and CSE also switched over to their own electronic trading platforms. CSE’s automated platform, the CSE Screen-based Trading and Reporting System (“CSTAR”) was launched in 1997. CSE currently has over 900 broker members, including some of the leading brokering houses in India. Around 3,000 companies, including some of the leading corporates of the country are listed on CSE.. In 2005-06 the annual trading turnover of CSE was Rs.28000 million.

CSE currently operates from its headquarters, located in the central business district of Kolkata, which provides a base for maintaining existing operations. The building is owned by the exchange and is also connected via dedicated leased lines to member terminals within a 2 km radius. The address of its headquarters is given below:

The Calcutta Stock Exchange Association Ltd.  
7 Lyons Range  
Kolkata – 700001

The building stands on a plot size of about 13 kottah, 10 chatank and 26 sq. feet (914 sq. mt.) and its total built up area is around 46,551 sq feet spread across 5 floors and a mezzanine floor. In addition, CSE also occupies 5100 sq feet space on rent in the Turner Morrison Building, 6 Lyons Range, Kolkata – 700001, which currently houses its administrative offices.

CSE also holds a 10 acre plot of land off the Eastern Metropolitan Bypass, which it holds on a 33 years lease with an option for renewal for two terms of 33 years each.

Its total manpower strength of 108 as in February, 2007, comprising 19 officers, 31 clerical staff and 58 support staff.

## 2.2. Sector Scenario

India has achieved an average economic growth of 8% over the last few years. This trend has also been reflected in the growth of its capital and commodities markets. During the last 2 years the trading volumes of Indian stock exchanges have grown by 90% from Rs. 37,000 billion in 2004 to around Rs. 72,000 billion in 2006. The commodities futures market have grown 17 times from Rs.1,293 billion to over Rs. 22,500 billion rupees during this period. With India expected to maintain its current pace of economic growth, there appears to be significant opportunities for further growth in the stock and commodities futures market.

## 2.3. Attractiveness of CSE

Key strengths and opportunities for CSE include:

- **The C-STAR system** : CSE's Trading platform, CSE Screen-based Trading and Reporting System (C-STAR), is directly comparable to the electronic trading platforms of leading stock exchanges like NSE, BSE, London Stock Exchange, NASDAQ, etc. The key feature of the platform is the fault tolerance capability of the TANDEM based Central Trading Engine. Salient features of C-STAR include:
  - C- STAR is capable of handling 100,000 concurrent trades and its scalable architecture can be used to rapidly connect terminals across the country.
  - The entire system has been designed based on the concept of single point fault tolerance through a unique combination of hardware and system software.
  - C-STAR is currently made available to the trading members over dedicated leased line, dial-up modems & router and VSATs. Around 40 buildings within a 2 KM radius are connected through optical fibre, with dial-up connectivity being used for the rest of Kolkata and VSATs for connectivity to trading members outside the city.
- **Legacy & processes as an equity trading exchange**: CSE enjoys ready recognition and mindshare of the broking community and investors across the country. Moreover, other than the two national stock exchanges, namely NSE and BSE, it is one of the few exchanges which is still fully operational. To this end, there exist adequate resources in terms of systems, processes and trained manpower required for operating the stock exchange. The trading and back-end processes along with requisite IT systems (hardware & software) can be scaled up to required levels of operation by suitable investments in connectivity infrastructure (V-SATs etc.) and manpower.
- **Potential for expansion/ diversification/leveraging of Eastern Metropolitan Bypass property** : There is significant scope for future expansion and/ or diversification by virtue of the 10 acre plot of land on the Eastern Metropolitan Bypass in Kolkata, which CSE holds on a 33 years lease with an option for renewal for two terms of 33 years each. Based on the current floor area ratio

(FAR) allowed by the regulatory authorities, there exists an opportunity to construct a financial services hub of upto 1 million square feet, in line with major stock exchanges across the world which operate out of such financial hubs.

## 2.4. Financials

The highlights of the profit & loss account and the balance sheet of CSE for the last three years are as follows:

<b>Profit &amp; Loss Account</b>			
<b>Rs. mn</b>	<b>For period ended March 31,</b>		
	<b>2004A</b>	<b>2005A</b>	<b>2006A</b>
Income from C-STAR	1.9	2.9	3.7
Enlistment Fee	33.7	33.0	32.7
Subscription	3.0	2.8	2.8
Interest Income	38.1	26.1	27.2
<b>Total operating income</b>	<b>76.7</b>	<b>64.7</b>	<b>66.4</b>
Personnel cost	25.0	25.1	25.5
Computer Service Expenses	21.7	22.1	21.8
Administrative expenses	14.3	12.9	12.7
Contributions to SEBI, SGF etc	5.5	5.6	5.4
Other expenses	8.5	8.2	10.6
<b>Total operating expenses</b>	<b>75.1</b>	<b>74.0</b>	<b>76.0</b>
Operating Profit	1.6	(9.3)	(9.6)
Other income	5.6	10.1	18.4
<b>EBDIT</b>	<b>7.2</b>	<b>0.8</b>	<b>8.8</b>
Depreciation	25.3	16.2	10.4
EBIT	(18.1)	(15.4)	(1.6)
<b>EBT</b>	<b>(18.1)</b>	<b>(15.4)</b>	<b>(1.6)</b>

<b>Balance Sheet</b>			
<b>Rs. mn</b>	<b>As on March 31,</b>		
	<b>2004A</b>	<b>2005A</b>	<b>2006A</b>
Share capital	0.3	0.3	0.3
Reserves & Surplus	576.2	560.8	559.1
<b>Sources of Fund</b>	<b>576.5</b>	<b>561.1</b>	<b>559.4</b>
Fixed Assets - Gross block	432.7	425.2	422.7
Accumulated Depreciation	293.3	303.2	311.1
<b>Net Fixed Assets</b>	<b>139.4</b>	<b>122.0</b>	<b>111.6</b>
Capital WIP	13.0	12.9	12.9
Investments	12.1	12.1	12.2
Cash & Bank	440.3	496.9	466.6
Other current assets	1975.5	2017.5	1998.7
Current liabilities & provisions	2003.8	2100.3	2042.6
<b>Net Current Assets</b>	<b>412.0</b>	<b>414.2</b>	<b>422.7</b>
<b>Application of Fund</b>	<b>576.5</b>	<b>561.1</b>	<b>559.4</b>

Comments on the past financial performance:

- During the last 3 years, the exchange's income from C-STAR, collected by the exchange as a percentage on the value of total turnover traded by a member, has nearly doubled from Rs.1.9 Million in 2003-04 to Rs.3.7 Million in 2005-06.
- The exchange's total operating revenues after declining by around 16% during 2004-05 on account of lower interest income on deposits, has risen marginally from Rs.64 million in 2004-05 to Rs.66 million in 2005-06.
- The exchange has been posting profits at EBDIT level continuously primarily from its other income sources in the form of Rent, Miscellaneous Income and write backs.
- At the EBT level the exchange has been posting losses primarily due to provision for depreciation. Consequently, the net worth of the exchange has decreased from Rs.579 million in 2000-01 to Rs.559 million in 2005-06. The losses however have declined considerably from Rs.18.1 million in 2003-04 to Rs.1.6 Million in 2005-06
- Cash and Bank balance of the exchange includes around Rs.440 million, in the form of deposits in schedule banks..
- The exchange also has contingent liabilities to the extent of Rs.101 million, as on March 31, 2006, comprising the following:
  - Rs.4.76 million in respect of cases relating to Income tax appeal and re-assessment for the AY 90-91 and 2001-02
  - Rs.96.72 million on account of an ex-parte order brought by a listed company against the exchange

### 3. Annexures

#### ANNEXURE - IA: PUBLIC ADVERTISEMENT



### The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata – 700 001 West Bengal, India

#### Invitation for “Expression of Interest” (EOI) for Induction of Strategic Partners/Investors in The Calcutta Stock Exchange (“CSE”) collectively holding at least 51% shareholding with each strategic partner/investor holding a maximum equity stake of 5%

(This announcement is neither a prospectus nor an offer/ invitation to the public for sale of securities of CSE)

The Calcutta Stock Exchange Association Limited (“CSE”) intends to implement “The Calcutta Stock Exchange Association Limited (Demutualisation) Scheme, 2005” (the “Scheme”) approved by the Securities and Exchange Board of India (SEBI), through the induction of strategic partners/investors by a competitive bidding process. Expressions of Interest (“EOI”) are hereby invited from strategic partners/investors collectively holding at least 51% equity stake, with each strategic partner/investor, subject to prior approval of SEBI, holding a maximum of 5% equity stake (either individually or as a consortium), as provided under the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognized Stock Exchanges) Regulations, 2006 issued by SEBI. The Exchange has appointed PricewaterhouseCoopers Private Limited (“PwC”) to advise and manage the process of implementation of the Scheme.

CSE is one of the oldest Stock Exchanges in India and still has active trading as on date. One of the key strengths of the Exchange is the C-STAR, a fully automated trading platform comparable to other leading exchanges. It has over 900 trading members and around 3,000 listed companies. Apart from its own premises at 7, Lyons Range, Kolkata, it also has a 10 acre plot of land off the Eastern Metropolitan Bypass on long term lease, offering significant opportunity for expansion. CSE’s net worth as per its audited financial statements on 31.03.06 was Rs. 559 million (excluding Settlement Guarantee Fund) and the net book value of its Fixed Assets was Rs. 111 million. It currently does not have any external borrowings.

EOI may be submitted by any person or group of persons, not being shareholders having trading rights or by their associates or overseas corporate bodies, but including banks, financial institutions, depositories, clearing houses, multilateral agencies, domestic/foreign companies, trusts, either individually or as a consortium (whether incorporated or unincorporated).

Interested parties are requested to submit their EOI along with a Request for Qualification (“RFQ”) and other necessary documents in the prescribed format, as specified in the Information Memorandum (“IM”), which also contains further information on CSE, at the under-mentioned address, **not later than 1600 Hours (IST) on 23<sup>rd</sup> March, 2007**. The IM can be obtained either from the under mentioned person or downloaded from [www.cse-india.com](http://www.cse-india.com). All queries related to the EOI may be addressed to our advisors:

**M/s. PricewaterhouseCoopers Private Limited, DN-56 & 57, Sector V, Salt Lake, Kolkata – 700 091 India; Phone No. +91-33-6610 4234; Fax No. +91-33-2357 2754 with the message being marked to the attention of Mr. Anindya Mallick.**

*Only the parties that are found eligible, in the sole discretion of CSE, will be informed of the same and provided further information. CSE is entitled to ask the parties for any further information that they may deem fit in this regard. This advertisement does not constitute and will not be deemed to constitute, any commitment on the part of CSE. Furthermore, this advertisement confers neither any right nor expectation on any party to participate in the process of demutualization of CSE.*

*CSE reserves the right to withdraw from the process or any part thereof, to accept or reject any or all offers/expression of interest/bids at any stage of the process and/or modify the process or any part thereof or to vary any terms at any time without assigning any reason whatsoever, even if CSE finds a party/parties eligible to bid. No financial or any other obligation will accrue to CSE or PwC in such an event. Further, CSE or PwC shall not be responsible for non-receipt of correspondence sent by post/courier/e-mail/fax.*

*This advertisement shall not be deemed to modify or supersede the IM in any manner and shall be subject to the IM.*

*The process and all terms and conditions set forth in this invitation for expression of interest are subject to the applicable rules, regulations, guidelines, directions issued from time to time by appropriate governmental and statutory authorities and such approvals as may be required under applicable law.*

## ANNEXURE - IB: PUBLIC ADVERTISEMENT



**The Calcutta Stock Exchange Association Limited  
7, Lyons Range, Kolkata – 700 001 West Bengal, India**

**Amendment to Invitation for “Expressions of Interest”  
(EOI) for Induction of Strategic Partners/ Investors in The  
Calcutta Stock Exchange (“CSE”)**

**It is hereby intimated that the date for submission of EOI is  
being extended to 1600 hours (IST) on April 5, 2007**

**All other disclosures and conditions stated in the  
advertisement of March 7, 2007 in this regard, remain the  
same. For any details contact our advisors at  
anindya.mullick@in.pwc.com Tel. +91-33-23579101.**

## ANNEXURE – IC: PUBLIC ADVERTISEMENT

	<p><b>The Calcutta Stock Exchange Association Limited</b> 7, Lyons Range, Kolkata – 700 001 West Bengal, India</p>
<p><b>Amendment to Invitation for “Expressions of Interest” (EOI) for Induction of Strategic Partners/ Investors in The Calcutta Stock Exchange (“CSE”)</b></p>	
<p><b>It is hereby intimated that the date for submission of EOI is being extended to 1600 hours (IST) on April 30, 2007</b></p>	
<p><b>All other disclosures and conditions stated in the advertisement of March 7, 2007 in this regard, remain the same. For any details contact our advisors at <a href="mailto:anindya.mullick@in.pwc.com">anindya.mullick@in.pwc.com</a> Tel. +91-33-23579101.</b></p>	

**ANNEXURE - II: EXPRESSION OF INTEREST**

(To be forwarded on the letterhead of the interested party/lead bidder/member of the consortium submitting the EoI)

Reference No. \_\_\_\_\_

Date \_\_\_\_\_

The Administrator  
The Calcutta Stock Exchange Association Ltd.  
7 Lyons Range  
Kolkata – 700001

**Sub: EXPRESSIONS OF INTEREST FOR INDUCTION OF STRATEGIC PARTNERS/INVESTORS COLLECTIVELY HOLDING AT LEAST 51% SHAREHOLDING WITH EACH STRATEGIC PARTNER/ INVESTOR HOLDING A MAXIMUM OF 5% EQUITY STAKE IN CALCUTTA STOCK EXCHANGE**

Sir,

This is with reference to the advertisement dated March/April , 2007 inviting Expression of Interest for Calcutta Stock Exchange.

As specified in the advertisement, we have read and understood the contents of the Information Memorandum (“IM”) and are desirous of participating in the above process for induction as a strategic partner/ investor and for this purpose:

We propose to submit our EOI in individual capacity as \_\_\_\_\_ (insert company/person name)

OR

We have formed/propose to form a consortium comprising \_\_\_\_ members as follows:

1. \_\_\_\_\_ **(Lead Bidder)** *(Insert name of company/person who would be the lead bidder)*
2. \_\_\_\_\_ *(Insert company/person name)*
3. \_\_\_\_\_ *(Insert company/person name)*

We believe that we/our consortium/proposed consortium satisfies the eligibility criteria set out in paragraph 1.4 of the IM including the applicable rules, regulations, guidelines, directions issued from time to time by appropriate governmental and statutory authorities

We certify that in regard to matters other than security and integrity of the country, we have not been convicted by a Court of law or indicted or adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the public sector unit when it is disinvested or which relates to a grave offence that outrages the moral sense of the community.

We further certify that no investigation by a regulatory authority is pending either against us or against our sister concerns or against our CEO or any of our Directors/Managers/Employees.

We undertake that in case due to any change in facts or circumstances during the pendency of the process for invitation for participating in the process of strategic transfer, we are attracted by the provisions of disqualification in terms of the subject guidelines; we would intimate the CSE of the same immediately.

The Statement of Legal Capacity, Request for Qualification, Statement As Regards Any Indictment By Any Income Tax, Sales Tax, Customs And Excise Authorities, the Declaration Relating to Fit and Proper Persons and the Declaration as to not Being Existing Shareholder or Associate of Existing Shareholders of Calcutta Stock Exchange as per formats indicated hereinafter, duly signed by us/respective members, who jointly satisfy the eligibility criteria, are enclosed.

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorised Signatory  
For and on behalf of the party/consortium

Enclosure:

1. Statement of Legal Capacity
2. Request for Qualification
3. Statement As Regards Any Indictment By Any Income Tax, Sales Tax, Customs And Excise Authorities
4. Declaration Relating to Fit and Proper Persons
5. Declaration as to not Being Existing Shareholder or Associate of Existing Shareholders of Calcutta Stock Exchange.

**ANNEXURE - III: STATEMENT OF LEGAL CAPACITY**

(To be forwarded on the letterhead of the interested party / each member of the consortium submitting the EoI)

Reference No. \_\_\_\_\_

Date \_\_\_\_\_

The Administrator  
The Calcutta Stock Exchange Association Ltd.  
7 Lyons Range  
Kolkata – 700001

**Sub: EXPRESSIONS OF INTEREST FOR INDUCTION OF STRATEGIC PARTNERS/INVESTORS COLLECTIVELY HOLDING AT LEAST 51% SHAREHOLDING WITH EACH STRATEGIC PARTNER/ INVESTOR HOLDING A MAXIMUM OF 5% EQUITY STAKE IN CALCUTTA STOCK EXCHANGE**

Sir,

This is with reference to the advertisement dated ..... March/April, 2007 inviting Expression of Interest for Calcutta Stock Exchange.

We have read and understood the contents of the IM and the advertisement and pursuant to this hereby confirm that:

- We satisfy the eligibility criteria laid out in paragraph 1.4 of the IM.
- We are a member of the consortium (constitution of which has been described in the Expression of Interest) which jointly satisfies the eligibility criteria as detailed in the IM.\*
- We have agreed that \_\_\_\_\_ (insert member's name) will act as the lead member of our consortium.\* #
- We have agreed that \_\_\_\_\_ (insert individual's name) will act as our representative on our behalf and has been duly authorized to submit the EOI. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.\* #
- We have agreed that \_\_\_\_\_ (insert the name of the individual) has been chosen as representative of our consortium and on our behalf and has been duly authorized to submit the EOI. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.\*

Yours faithfully,

Authorised Signatory  
For and on behalf of (party/member)

\* *Strike off whichever clause is not applicable*  
# *Board Resolution to be submitted.*

**ANNEXURE - IV: REQUEST FOR QUALIFICATION**

(To be submitted in respect of interested party/each member of the consortium)

**Name of the interested Party (ies)/Member(s)** \_\_\_\_\_

1. Constitution (Tick, wherever applicable)

i) Public Limited Company

ii) Private Limited Company

iii) Others, if any (Please specify)

- If the interested party is a foreign company, specify list of statutory approvals from GoI/ RBI/ FIPB applied for/ obtained/ awaiting:

2. Sector (Tick, wherever applicable)

i) Public Limited Company

ii) Private Limited Company

iii) Others, if any (Please specify)

3. Details of Shareholding (Promoters, Financial Institutions, Public, etc.)

4. Role/ Interest of each Member in the Consortium (if applicable)

5. Nature of business/products dealt with :

6. Date & Place of incorporation :

7. Date of commencement of business :

8. Full address including phone no./fax no. :

i) Registered Office :

ii) Head Office :

9. Address for correspondence :

10. Basis of eligibility for participation in the process (Please mention details of your eligibility) as under (whichever is applicable):

- Reason for wanting to acquire a stake in CSE
- Brief description of Financial Services / other service/ manufacturing sector operations by the interested party  
(Please furnish necessary details of self/ member of consortium)

11. Please attach most recent Audited Statement of Accounts/Annual Report along with that of the preceding 2 years.

Please provide a chartered accountant/auditor certificate certifying the Net Worth.

12. Please provide details of all contingent liabilities that, if materialized, have or would reasonably be expected to have a material adverse effect on the business, operations (or results of operations), assets, liabilities and/or financial condition of the Company, or other similar business combination or transaction.

13. Contact Person(s):

- i) Name:
- ii) Designation:
- iii) Phone No.:
- iv) Mobile No.:
- v) Fax No.:
- vi) E-mail:

Yours faithfully,

Authorised Signatory  
For and on behalf of the (party/member of  
consortium)

Authorised Signatory  
For and on behalf of the consortium

Place:

Date:

*Note: Please follow the order adopted in the Format provided. If the interested party is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words "No response given" against it.*

**ANNEXURE - V: STATEMENT AS REGARDS ANY INDICTMENT BY ANY  
INCOME TAX, SALES TAX, CUSTOMS AND EXCISE AUTHORITIES**

(To be forwarded on the letterhead of the interested party/lead  
bidder/member of the consortium submitting the EoI)

Date:

The Administrator  
The Calcutta Stock Exchange Association Limited  
7 Lyons Range  
Kolkata 700001

We certify that there has been no indictment by any income tax, sales tax, customs and  
excise authorities, {except as stated below:}<sup>1</sup>

Yours faithfully,

Authorized Signatory  
For and on behalf of (party/member)

Name:  
Designation:

<sup>1</sup> Delete, if not applicable.

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**ANNEXURE - VI: DECLARATION RELATING TO FIT AND PROPER PERSONS**

(To be forwarded on the letterhead of the interested party/lead bidder/member of the consortium submitting the EoI)

Date:

The Administrator  
The Calcutta Stock Exchange Association Limited  
7 Lyons Range  
Kolkata 700001

We, [Name of the party/ member of consortium] certify the following:

- (a) Neither we nor any of our whole time directors or managing partners have been convicted by a Court for any offence involving moral turpitude or any economic offence, or any offence against the securities laws;
- (b) No order for winding up has been passed against us in the past nor is currently pending against us;
- (c) Neither we nor any of our whole time directors or managing partners have been declared insolvent and have not been discharged;
- (d) No order, restraining, prohibiting or debarring us, or any of our whole time directors or managing partners from dealing in securities in the capital market or from accessing the capital market has been passed by the Securities and Exchange Board of India or any other regulatory authority;
- (e) No other order against us or any of our whole time directors or managing partners which has a bearing on the capital market, has been passed by the Securities and Exchange Board of India or any other regulatory authority;
- (f) We have not been found to be of unsound mind by any Court; and
- (g) We are not financially unsound.

Yours faithfully,

Authorized Signatory  
For and on behalf of (party/member)

**ANNEXURE- VII: DECLARATION AS TO NOT BEING EXISTING  
SHAREHOLDER OR ASSOCIATE OF EXISTING SHAREHOLDERS OF  
CALCUTTA STOCK EXCHANGE (“CSE”)**

(To be forwarded on the letterhead of the interested party/lead  
bidder/member of the consortium submitting the EoI)

Date:

The Administrator  
The Calcutta Stock Exchange Association Limited  
7 Lyons Range  
Kolkata 700001

We, [*Name of interested party/lead bidder/member of the consortium submitting the EoI*], hereby certify that we neither hold the trading membership or shareholding or interest in any other manner in the Calcutta Stock Exchange Association Limited nor are associated, affiliated or related in any manner whatsoever, to any of the members or existing shareholders of the Calcutta Stock Exchange Association Limited.

Yours faithfully,

Authorized Signatory  
For and on behalf of (party/member)

Name:  
Designation:

Please Note that the term ‘Associate’ in relation to a shareholder having trading rights in a recognized stock exchange has been defined in clause (1)(b) of regulation 2 of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006

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**ANNEXURE- VIII: CALCUTTA STOCK EXCHANGE DEMUTUALISATION SCHEME**

**GAZETTE OF INDIA  
EXTRA-ORDINARY  
PART II - SECTION 3- SUB-SECTION (ii)  
PUBLISHED BY AUTHORITY  
SECURITIES AND EXCHANGE BOARD OF INDIA  
Mumbai, the 29th August, 2005  
SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**ORDER UNDER SECTION 4B (6) READ WITH SECTION 4B (7) OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 IN THE MATTER OF THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED (DEMUTUALISATION) SCHEME, 2005.**

**S. O. 1199 (E). 1.0** The Calcutta Stock Exchange Association Limited (hereinafter referred to as the 'CSEA'), registered under the Companies Act, 1913 as a company limited by shares, is a recognised stock exchange having its Registered Office at 7, Lyons Range, Kolkata – 700001. It is required to be demutualised in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the 'SCRA').

**2.0** The CSEA, vide its letter dated January 31, 2005, submitted a Scheme for its demutualisation for approval to the Securities and Exchange Board of India (hereinafter referred to as the 'SEBI') in terms of sub-section (1) of section 4B of the SCRA. SEBI, vide its letter dated May 25, 2005, advised CSEA to submit a revised Scheme, taking into account the provisions of the BSE (Corporatisation and Demutualisation) Scheme, 2005 that may be relevant to CSEA

**3.0** Thereafter, CSEA, vide its letter dated June 10, 2005, submitted a revised scheme for its demutualisation on the line of the BSE (Corporatisation and Demutualisation) Scheme, 2005. SEBI made enquiries and obtained further information from CSEA through discussions with it. The said revised scheme was discussed in depth at a meeting with the Administrator and officials of CSEA on July 1, 2005. Based on the discussions during the said meeting, CSEA desired to revise and resubmit the Scheme.

**4.0** Accordingly, CSEA, vide its letter dated July 4, 2005, submitted a further revised Scheme for its demutualisation (hereinafter referred to as the 'Scheme') for approval to SEBI, in accordance with the provisions of the SCRA.

**5.0** The Scheme inter alia provides for the segregation of ownership and management from the trading rights of the members, restriction on voting rights of the shareholders who are also trading members, composition of the Governing Board, etc, in accordance with the provisions of section 4B (6) of the SCRA, utilisation of assets and reserves and other matters required for the purpose of and in connection with the demutualisation of CSEA.

**6.0** SEBI, having considered the Scheme and on being satisfied that it would be in the interest of the trade and also in the public interest, hereby approves the Scheme with minor modifications. The approved Scheme is enclosed as Annexure - A.

**7.0** CSEA shall ensure compliance with the Scheme within the time as specified in the Scheme and shall not do anything contrary to the provisions of the Scheme and submit compliance report to SEBI in the manner as may be specified by SEBI.

**8.0** SEBI reserves the right to amend, alter or modify the Scheme in the interest of the trade and the public interest and in furtherance of the objectives of the demutualisation of the stock exchange.

**9.0** The Scheme shall come into effect on the day of its publication in the Official Gazette.

**F. No. SEBI/MRD/48106 /2005**  
**M. DAMODARAN**  
**CHAIRMAN**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Annexure – A**

**The Calcutta Stock Exchange Association Ltd. (Demutualisation) Scheme, 2005**

**1. Title and Commencement**

**1.1** This Scheme shall be called “The Calcutta Stock Exchange Association Ltd. (Demutualisation) Scheme, 2005” (hereinafter referred to as “this Scheme”) and shall have effect on its publication under sub-section (4) of Section 4B of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the “SCRA”).

**1.2** The Calcutta Stock Exchange Association Ltd. (hereinafter referred to as “CSEA”) shall be demutualised in accordance with this Scheme on and from the Appointed Date as may be notified by the Securities and Exchange Board of India (hereinafter referred to as “SEBI”) in respect of CSEA under Section 4A of the SCRA:

Provided that the activities specified in the respective clauses of this Scheme shall be implemented as per the time schedule specified in those clauses

**2. Definitions**

In this Scheme, unless the context otherwise requires, -

**2.1 "Due Date"** means the date, as may be determined by the Governing Board or the Administrator, as the case may be, which shall not be later than 3 months from the date of publication of the Order under sub-section (7) of Section 4B of the SCRA.

**2.2 "Governing Board"** means the Board of Directors of CSEA.

**2.3 "Member"** means a person who is a member of CSEA on the day preceding the Due Date as per the Register of Members maintained by it.

**2.4 "Shareholder"** means a person who holds any equity share(s) of CSEA on or after the Due Date.

**2.5 "The Calcutta Stock Exchange Association Limited"** (CSEA) means the Company limited by shares, registered under the Companies Act, 1913 vide registration no.

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4707 of 1923-24, having its Registered Office at 7, Lyons Range, Kolkata – 700001, which has been recognized as a stock exchange by the Central Government under the SCRA, on a permanent basis.

**2.6 "Trading Member"** means a stock broker of CSEA and registered with SEBI as such under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

**2.7** Words and expressions used and not defined in this Scheme but defined in the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, the SCRA, the Companies Act, 1956, the rules and regulations made under these Acts, the Memorandum and Articles of Association, Rules, Bye-Laws and Regulations of CSEA, shall have the same meaning respectively assigned to them in the above mentioned Acts, memorandum and articles, rules, bye-laws and regulations.

### **3. Memorandum and Articles of Association, etc. of CSEA**

**3.1** CSEA shall incorporate the provisions of this Scheme appropriately in its memorandum and articles of association and the rules, bye-laws and regulations on or before the Due Date.

**3.2** The memorandum and articles of association and the rules, bye-laws and regulations of CSEA may be amended after the Due Date in accordance with the applicable laws, provided that no such amendment is inconsistent with any provision of this Scheme.

### **4. Governing Board of CSEA**

**4.1** On and from the Due Date or on expiry of the period of supersession under Section 11 of SCRA, whichever is later, the Governing Board shall be constituted in accordance with the provisions of the Articles of Association of CSEA in force from time to time, provided that -

- (i) the representation of Trading Members does not exceed one-fourth of the total strength of the Governing Board, and the remaining directors are appointed in the manner as may be specified by SEBI from time to time, and
- (ii) the Chief Executive, by whatever name called, is an ex-officio director.

**4.2** Notwithstanding anything contained in clause 4.1, SEBI may nominate directors on the Governing Board as and when deemed fit.

### **5. Listing of Shares of CSEA**

CSEA may at any time list its securities on any recognized stock exchange.

### **6. Demutualisation**

**6.1** A Trading Member may or may not be a Shareholder.

**6.2** A Shareholder may or may not be a Trading Member.

## **7. Trading Rights**

**7.1** A Member, who is registered as a stock broker on the day preceding the Due Date, shall become a Trading Member on the Due Date.

**7.2** A Member, who is not registered as a stock broker on the day preceding the Due Date, shall become a Trading Member on being registered as a stock broker under SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 within 3 months from the Due Date.

**7.3** After the Due Date, a person desirous of becoming a Trading Member shall be admitted if he complies with the requirements and brings in fees and deposits as specified in the rules, bye-laws and regulations of CSEA.

**7.4** CSEA shall, for the purpose of admitting any person as a Trading Member, follow uniform standards in terms of capital adequacy, deposits, fees, etc. irrespective of mode of acquisition of trading right by that person:

Provided that different standards may be followed for admission of a person as a Trading Member who has acquired trading right by way of transmission.

**7.5** A Trading Member may surrender his membership to CSEA in the manner specified in the rules, bye-laws and regulation of CSEA.

**7.6** Irrespective of the date or mode of acquisition of trading right, the Trading Members shall have uniform rights and privileges.

**7.7** Trading Members on the Due Date shall continue to have the same rights and privileges in respect of their clients and constituents and other members arising out of or under any act, omission or contract or law, notification, order, direction, etc. as had accrued to them while being Members on or before the Due Date.

**7.8** Trading Members shall be bound by all obligations and liabilities towards their clients and constituents, SEBI, CSEA and other authorities or other persons arising out of or under any act, omission or contract or law, notification, order, direction, etc. while being Members on or before the Due Date.

## **8. Shareholding Rights**

**8.1** A Member shall become a shareholder on the Due Date.

**8.2** CSEA shall ensure that at least 51% of its equity shares are held by public other than shareholders having trading rights in the manner and within the period prescribed in sub-section (8) of Section 4B of the SCRA.

**8.3** On and from the Appointed Date, CSEA shall ensure that public other than shareholders having trading rights continuously holds at least 51% of equity shares.

**8.4** On and from the Due Date, no Shareholder, who is a Trading Member, shall have voting rights (taken together with voting rights held by him and by persons acting in concert with him) exceeding 5% of the voting rights in CSEA.

## **9. Transfer of Clearing and Settlement functions**

**9.1** CSEA shall, within two years of the Due Date, subject to the prior approval of SEBI, transfer the duties and functions of the clearing house of the Exchange to a Clearing Corporation, recognized under the SCRA.

**9.2** Until the duties and functions of the clearing house are transferred as provided in clause 9.1, the clearing and settlement functions in relation to trading on CSEA, shall be carried out by the clearing and settlement mechanism as used by CSEA at present or in such other manner as the Governing Board or the Administrator, as the case may be, may determine.

## **10. Utilisation of Assets and Reserves**

**10.1** CSEA shall not do anything contrary to the provisions of Section 4B (3) of the SCRA.

**10.2** Without prejudice to the generality of the provisions of clause 10.1, CSEA shall not use its assets and reserves as on the date of publication of this Scheme or the proceeds from disposal of such assets or the proceeds from disposal of successive species of assets acquired from the proceeds of disposal of such assets for any purpose other than discharging the current liabilities outstanding as on the date of publication of this Scheme or for the business operations of stock exchange.

## **11. Compliance with this Scheme**

**11.1** CSEA shall ensure compliance with the provisions of this Scheme at all times and shall not do anything contrary to the provisions of this Scheme.

**11.2** CSEA shall report compliance with the provisions of this Scheme in such manner as may be required by SEBI from time to time.

## **12. Removal of Difficulties**

If any difficulty arises in giving effect to the provisions of this Scheme, SEBI may, at the written request of CSEA, relax any of the provisions of this Scheme.