The BSE (Corporatisation and Demutualisation) Scheme, 2005

1. Title and Commencement

1.1 This Scheme shall be called The BSE (Corporatisation and Demutualisation) Scheme, 2005 (hereinafter referred to as "this Scheme").

1.2 This Scheme shall have effect on its publication under sub-section (4) of Section 4B of the Securities Contracts (Regulation) Act, 1956.

1.3 BSE shall be corporatised and demutualised in accordance with this Scheme on and from the appointed date as may be notified by the Securities and Exchange Board of India (SEBI) in respect of BSE under Section 4A of the Securities Contracts (Regulation) Act, 1956.

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 "**Bombay Stock Exchange Limited**" means the company incorporated in pursuance of clause 3 of this Scheme for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities as a recognized stock exchange and to succeed BSE.

2.2 "**BSE**" means the stock exchange also known as "The Stock Exchange, Mumbai", an unincorporated association of persons having its principal place of business at Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai, which has been recognized by the Central Government under the Securities Contracts (Regulation) Act, 1956 by and under notification No. 17/2/56-SE/EAD dated August 31, 1957, and whose name has been changed to BSE pursuant to the approval granted by SEBI by its letter No.SMD/SEAID-I/BSE/592/02, dated 10th January, 2002.

2.3 "**Due Date**" means the date, as may be determined by the Governing Board of BSE, 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 Securities Contracts (Regulation) Act, 1956.

2.4 "**First Shareholders**" means the fifty Members, selected by the Governing Board of BSE, who will subscribe to the Memorandum of Association and Articles of Association of Bombay Stock Exchange Limited for the purpose of its incorporation.

2.5 "**Governing Board**" means the Board of Directors of Bombay Stock Exchange Limited.

2.6 "**Member**" means a person who is a member of BSE as per the register of members maintained by BSE under Rule 64 of the Rules, Bye-Laws and Regulations, 1957 and does not include a Limited Trading Member of BSE.

2.7 "**Record Date**" means the date, prior to the Due Date, fixed by the Governing Board of BSE for determining the Members who will be entitled to shares of Bombay Stock Exchange Limited pursuant to clause 5 of this Scheme.

2.8 "**Rules, Bye-Laws and Regulations, 1957**" means the Rules, Bye-laws and

Regulations, 1957 of BSE on the day preceding the Due Date.

2.9 "**Rules, Bye-Laws and Regulations of the Derivatives Segment**" means the Rules, Bye-laws and Regulations, 2000 of the Derivatives Segment of BSE on the day preceding the Due Date.

2.10 "**Rules, Bye-Laws and Regulations of Bombay Stock Exchange Limited**" means the Memorandum of Association, the Articles of Association and the Rules, Bye-laws and Regulations of Bombay Stock Exchange Limited including the Rules, Bye-laws and Regulations of any segment of Bombay Stock Exchange Limited.

2.11 "**Shareholder**" means a person who holds any equity share(s) of Bombay Stock Exchange Limited.

2.12 "**Trading Member**" means a stock broker or trading member or clearing member of any segment of Bombay Stock Exchange Limited and registered with SEBI as such under the SEBI (Stock Brokers and Sub-Brokers) Regulations 1992:

Provided that Bombay Stock Exchange Limited shall not have clearing members after the clearing function is transferred to a recognized clearing corporation under clause 13.1 of this Scheme.

2.13 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 Securities Contracts (Regulation) Act, 1956, the Companies Act, 1956, the rules and regulations made under these Acts, the Rules, Bye-Laws and Regulations, 1957 or the Rules, Bye-laws and Regulations of the Derivatives Segment shall have the same meanings respectively assigned to them in the above mentioned acts, rules, bye-laws and regulations.

3. Incorporation of Bombay Stock Exchange Limited

3.1 The First Shareholders shall incorporate a public company limited by shares under section 12 of the Companies Act, 1956 in the name and style of "Bombay Stock Exchange Limited".

3.2 The First Shareholders shall each subscribe to and pay for 10,000 fully paid-up equity shares of the face value of Re.1/- each for cash at par of Bombay Stock Exchange Limited.

4. Governing Board of Bombay Stock Exchange Limited

4.1 The first Governing Board shall comprise of such of the members of the Governing Board of BSE on the date of incorporation of Bombay Stock Exchange Limited as are named as first directors in the Articles of Association of Bombay Stock Exchange Limited, subject to the condition that the representatives of the Members do not exceed one-fourth of the total strength of the Governing Board.

4.2 The first Governing Board may hold office till Due Date.

4.3 The Governing Board, on or after Due Date, shall be constituted in accordance with the provisions of the Articles of Association of Bombay Stock Exchange Limited 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.

4.4 Notwithstanding anything contained in clause 4.3, SEBI may nominate directors on the Governing Board as and when deemed fit.

5. Allotment of Shares of Bombay Stock Exchange Limited

5.1 Every Member or his nominee, as the case may be, (other than the First Shareholders) as on the Record Date shall be entitled to 10,000 fully paid-up equity shares of the face value of Re.1/- each for cash at par of Bombay Stock Exchange Limited.

5.2 Every Member or his nominee, as the case may be, who has more than one membership card as on the Record Date, shall be entitled to additional 10,000 fully paid-up equity shares of face value of Re.1/- each for cash at par for every additional membership card held by him

5.3 Bombay Stock Exchange Limited shall allot the equity shares to the entitled Members or their nominees, as the case may be, by the Due Date.

Provided that the allotment to a Member suspended by BSE shall be held in abeyance till the suspension continues.

5.4 The invitation to subscribe to, and the offer, issue and allotment of equity shares of Bombay Stock Exchange Limited pursuant to this clause shall not be considered as being an invitation, offer, issue or allotment to the public.

6. Listing of Shares of Bombay Stock Exchange Limited.

Bombay Stock Exchange Limited may at any time list its securities on any recognized stock exchange.

7. Transfer to Bombay Stock Exchange Limited

Pursuant to this Scheme, on and from the Due Date,:

7.1 all assets, properties, undertakings, segments (including the Derivatives Segment), business, books, records, registers, funds, reserves, rights (including, in particular, intellectual property rights, leasehold rights, tenancy rights if any and all rights of nomination of former Members which have vested in BSE), powers, authorities, interests, privileges, exemptions, permissions, licenses, registrations and recognitions (including, in particular, the recognition of BSE as a recognized stock exchange under the Securities Contracts (Regulation) Act, 1956) of or belonging to or in the possession or control of BSE or to which BSE may be entitled, including those held by any trustees in trust for BSE or for the Members or Limited Trading Members of BSE and Trading Members and/or Clearing Members of the Derivatives Segment of BSE or for the objects and purposes of BSE, and including those vested in or held by any committee of BSE, shall stand transferred to and shall vest in and shall be in the possession or control of and shall become the entitlement of Bombay Stock Exchange Limited, and Bombay Stock Exchange Limited shall have the same right, title and interest therein or thereto as BSE and such trustees or committees had immediately prior to the Due Date.

7.2 all obligations and liabilities of BSE shall stand transferred to and shall become obligations and liabilities of Bombay Stock Exchange Limited.

7.3 Bombay Stock Exchange Limited shall, in place and stead of BSE, become a party to, and shall be bound by and entitled to, all contracts, agreements and other instruments to which BSE is a party or by which BSE is bound or to which BSE is entitled, and the same may be enforced and acted upon by or against Bombay Stock Exchange Limited accordingly.

7.4 all notices, actions, claims and proceedings (including all legal, quasi legal, revenue, disciplinary and arbitration notices, actions and proceedings and including also disciplinary, suspension, default, delisting and other notices, actions and proceedings by BSE to or against the Members or Limited Trading Members of BSE or Trading Members and/or Clearing Members of the Derivatives Segment of BSE, any companies and others) of, by or against BSE shall not abate and shall be deemed to be made, instituted or continued by or against Bombay Stock Exchange Limited in place and stead of BSE.

7.5 the employees of BSE shall become the employees of Bombay Stock Exchange Limited in place and stead of BSE on the same terms and conditions as existing immediately prior to the Due Date.

7.6 notices and circulars issued and acts done by the Governing Board of BSE shall, unless and until such notices and circulars are modified or rescinded by the Governing Board, continue to subsist in relation to Bombay Stock Exchange Limited and shall be deemed to have been issued and done by the Governing Board.

7.7 all resolutions passed and acts done by the Governing Board of BSE or general body of Members shall, unless and until modified or rescinded by Governing Board or general body of Shareholders of Bombay Stock Exchange Limited, as the case may be, continue to subsist in relation to Bombay Stock Exchange Limited and shall be deemed to have been passed and done by the Governing Board or general body of Shareholders of Bombay Stock Exchange Limited, as the case may be.

8. Trading Rights

8.1 A Member or a Limited Trading Member of BSE, who is registered as a stock broker on the day preceding the Due Date shall become a Trading Member of the Cash Segment of Bombay Stock Exchange Limited on the Due Date;

8.2 A Member who is not registered as a stock broker on the day preceding the Due Date shall become a Trading Member of the Cash Segment of Bombay Stock Exchange Limited on being registered as a stock broker under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 within 3 months from the Due date.

8.3 A Trading Member and/or a Clearing Member of the Derivatives Segment of BSE on the day preceding the Due Date shall become a Trading Member and/or a Clearing Member of the Derivatives Segment of Bombay Stock Exchange Limited on the Due date.

8.4 After the Due Date, a person desirous of becoming a Trading Member of any segment of Bombay Stock Exchange Limited shall be admitted if he complies with requirements and brings in specified fees and deposits as specified in the Rules, Bye-laws and Regulations of Bombay Stock Exchange Limited.

8.5 Bombay Stock Exchange Limited shall, for the purpose of admitting any person as a Trading Member of a segment, 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;

Provided further that different standards may be followed for admission of Trading Members in different segments.

8.6 A Trading Member may surrender his membership of any segment to Bombay Stock Exchange Limited in the manner specified in the Rules, Bye-laws and Regulations of Bombay Stock Exchange Limited

8.7 Trading Members of the Cash Segment of Bombay Stock Exchange Limited and the Clearing Members of the Derivatives Segment of Bombay Stock Exchange Limited shall clear and settle trades respectively till the clearing and settlement function is transferred to a recognized clearing corporation under clause 13.1 of this Scheme.

8.8 Irrespective of the date or mode of acquisition of trading right, the Trading Members in a segment of Bombay Stock Exchange Limited shall have uniform rights and privileges.

Provided that Bombay Stock Exchange Limited may, with the prior approval of SEBI, grant additional privileges to those Trading Members who were Members on the day preceding the Due Date.

8.9 Trading Members of Bombay Stock Exchange Limited 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 or Limited Trading Members of BSE or Trading Members and or Clearing Member of Derivative Segment of BSE on or before the Due Date.

8.10 Trading Members of Bombay Stock Exchange Limited shall be bound by all obligations and liabilities towards their clients and constituents, SEBI, BSE 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 or Limited Trading Members of BSE or Trading Members and or Clearing Members of Derivative Segment of BSE on or before the Due Date

9. Demutualisation

9.1 A Trading Member may or may not be a Shareholder.

9.2 A Shareholder may or may not be a Trading Member.

10. Voting Rights

10.1 Bombay Stock Exchange Limited shall ensure that atleast 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 Securities Contracts

(Regulation) Act, 1956.

10.2 On and from the Appointed Date, Bombay Stock Exchange Limited shall ensure that public other than shareholders having trading rights continuously hold at least 51% of equity shares.

10.3 On and from 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 Bombay Stock Exchange Limited.

11. Dissolution of BSE

On and from the Due Date:

(i) Bombay Stock Exchange Limited shall be entitled to, and shall, commence business and operations as the successor of BSE; and

(ii) BSE shall stand dissolved.

12. Rules, Bye-Laws and Regulations of Bombay Stock Exchange Limited

12.1 The Rules, Bye-laws and Regulations, 1957 and the Rules, Bye-laws and Regulations of the Derivatives Segment of BSE on the day preceding the Due Date shall, unless contrary to or inconsistent with or excluded by this Scheme, apply to Bombay Stock Exchange Limited on and from the Due Date.

12.2 Bombay Stock Exchange Limited shall incorporate the provisions of this Scheme appropriately in the "Rules, Bye-laws and Regulations of Bombay Stock Exchange Limited" on or before the Due Date.

12.3 The "Rules, Bye-laws and Regulations of Bombay Stock Exchange Limited" 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.

13. Clearing Corporation of Bombay Stock Exchange Limited

13.1 Bombay Stock Exchange Limited shall, within one year of the Due Date, subject to the prior approval of SEBI, transfer the duties and functions of the clearing house of Bombay Stock Exchange Limited to a clearing corporation, being a company incorporated under the Companies Act, 1956 and recognized by SEBI as a clearing corporation under the Securities Contracts (Regulation) Act, 1956.

13.2 Until the duties and functions of the clearing house are transferred as provided in clause 13.1, the clearing and settlement functions in relation to trading on Bombay Stock Exchange Limited shall be carried out by the clearing and settlement mechanism as used by BSE or in such other manner as the Governing Board may determine.

14. Utilisation of Assets and Reserves

14.1 Bombay Stock Exchange Limited shall not do anything contrary to the provisions of section 4B (3) of the Securities Contracts (Regulation) Act, 1956.

14.2 Without prejudice to the generality of the provisions in 14.1, Bombay Stock Exchange Limited shall not use the assets and reserves (other than current assets) of BSE transferred to it under clause 7.1 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 the business operations of the stock exchange.

15. Compliance with the scheme

15.1 BSE and Bombay Stock Exchange Limited, as the case may be, shall ensure compliance with the provisions of this Scheme at all times and shall not do anything contrary to the provisions of this Scheme.

15.2 Without prejudice to the generality of the provisions in 15.1, BSE and Bombay Stock Exchange Limited, as the case may be, shall continuously comply with the provisions in Clauses 4.3, 8.4, 8.5, 8.6, 8.8, 10.2, 10.3, and 14.

15.3 BSE and Bombay Stock Exchange Limited, as the case may be, shall report compliance with the provisions of this Scheme in such manner as may be required by SEBI from time to time.

16. Power to Relax Provisions of this Scheme

If any difficulty arises in giving effect to the provisions of this Scheme, SEBI may, at the written request of BSE or Bombay Stock Exchange Limited, as the case may be, relax any of the provisions of this Scheme.