

**DEPUTY GENERAL MANAGER
MARKET REGULATION DEPARTMENT**

MRD/DSA/SE/Cir- 12/09
October 07,2009

The Managing Directors / Chief Executive Officers /
Executive Directors / Officiating Executive Directors
of all Stock Exchanges.

Dear Sir / Madam,

Sub: - Prior approval for re-commencing trading on the Stock Exchange.

1. A stock exchange in India is recognized by the Central Government / SEBI under section 4 of Securities Contracts (Regulation) Act, 1956 for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities, after it is satisfied that it would be in the interest of the trade and also in the public interest to grant such recognition. Currently, there are 20 recognized stock exchanges in India. However, it has been observed that some of the stock exchanges have no trading over the past several years.
2. With the completion of corporatisation and demutualisation of stock exchanges, some of the stock exchanges have generated renewed trading interest and are in the process of resuming trading for reviving the stock exchange. While these stock exchanges have no trading activity for quite some time, the regulatory changes introduced by SEBI in the interim may not have been complied with.
3. Considering that a stock exchange is required to have adequate and effective trading systems, clearing and settlement system, monitoring and surveillance mechanisms, risk management systems etc, the resumption of trading activity without basic infrastructure may not be in the interest of investors / trade.
4. In light of the above, the stock exchanges that have no trading for a period of six months or more shall resume trading only after ensuring that adequate and effective trading systems, clearing and settlement systems, monitoring and surveillance mechanisms, risk management systems are in place and have also complied with all other regulatory requirements stipulated by SEBI from time to time. Further, the stock exchanges shall resume trading only after obtaining prior approval from SEBI.
5. Further, the stock exchanges shall also comply with SEBI circular no. MIRSD/DPS-III/Cir-22/2008 dated July 23, 2008 on Annual Systems Audit within sixty days from the date of commencement of trading.

6. In case the stock exchanges have no trading for a period of less than six months, the stock exchange shall ensure that necessary regulatory requirements have been complied with before resuming trading and the matter may be placed before its Board with reasons, if any. The same may be informed to SEBI in the Monthly Development Report / Quarterly Development Report. However, this will be in addition to the requirement prescribed in circular no. MRD/DOP/SE/Cir-14/2006 dated September 28, 2006
7. This circular is being issued in exercise of powers conferred under Section 11(1) read with 11(2)(a) 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,

D. RAJESH KUMAR