

Dear Shareholder,

**Sub : Investment in the equity shares of Vadodara Stock Exchange Limited (VSE)**

Your attention is invited to relevant provisions of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006, (Regulations), notified by Securities and Exchange Board of India (SEBI) on 13<sup>th</sup> November, 2006.

Chapter III of the said Regulations inter-alia stipulates the shareholding restrictions and eligibility criteria for holding equity shares in the Recognised Stock Exchange as under :

**Shareholding and transferability restrictions**

8 (1) No persons shall, directly or indirectly, acquire or hold more than five per cent in the paid-up equity capital of a recognized stock exchange at any time after commencement of these regulations :

Provided that any person holding equity shares in a recognized stock exchange in excess of the limits specified in this regulation at the commencement of these regulations shall reduce his holding to ensure compliance with this regulation within the time specified in sub-section (8) of section 4B of the Act or the time extended under the proviso thereto.

**Eligibility criteria for persons acquiring or holding more than one percent equity shares in a recognized stock exchange**

9(1) No person shall, either individually or together with persons acting in concert with him, acquire and/or hold more than one per cent of the paid-up equity capital of a recognized stock exchange after commencement of these regulations, unless he is a fit and proper person and has taken prior approval of the board for doing so.

(2) For the purpose of sub-regulation (1), 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.
- (3) If any question arises as to whether a person is a fit and proper person, the SEBI decision on such question shall be final.

**Attention of the Shareholder is also invited to the term “associate” in relation to a shareholder having trading rights in a recognized stock exchange and Public as defined in the aforesaid Regulations.**

- 2 (1)(b) “associate” in relation to a shareholder having trading rights in a recognized stock exchange means a person –
- (i) who directly or indirectly, by himself or in combination with other persons, exercises control over such shareholder or holds substantial shares entitling not less than fifteen per cent of the voting rights in such shareholder being a body corporate; or
  - (ii) over whom such shareholder, directly or indirectly, by itself or in combination with other persons, exercises control; or
  - (iii) whose director or partner is also a director or a partner of such shareholder, being a body corporate or a partnership firm, as the case may be; or
  - (iv) who is a holding company or subsidiary company of such shareholder or a company under the same management as such shareholder; or
  - (v) who is a relative of the shareholder being a natural person under Schedule 1A of the Companies Act, 1956 (1 of 1956); or
  - (vi) who is a sub-broker of the shareholder in that stock exchange; or
  - (vii) who acts in accordance with instructions of such shareholder in the exercise of voting rights and other rights in the recognized stock exchange, directly or indirectly.

2(1)(h) “public” includes any member or section of the public but does not include any shareholder of the recognized stock exchange having trading rights therein or any associate of such shareholder.

Under the VSE (Corporatisation and Demutualisation) Scheme, 2005 VSE has to ensure that “Public” other than shareholders having trading rights continuously hold at least 51% of equity shares of the Exchange.

**Attention of the Shareholder is further invited to the term “Persons Acting in Concert” as defined under Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997**

2(e) “person acting in concert” comprises-

- (1) persons who, for a common objective or purpose of substantial acquisition of shares or voting rights or gaining control over the target company, pursuant to an agreement or understanding (formal or informal), directly or indirectly co-operate by acquiring or agreeing to acquire shares or voting rights in the target company or control over the target company,
- (2) without prejudice to the generality of this definition, the following persons will be deemed to be persons acting in concert with other persons in the same category, unless the contrary is established;
  - (i) a company, its holding company, or subsidiary or such company or company under the same management either individually or together with each other;
  - (ii) a company with any of its directors, or any person entrusted with the management of the funds of the company;
  - (iii) directors of companies referred to in sub-clause(i) of clause (2) and their associates;
  - (iv) mutual fund with sponsor or trustee or asset management company;
  - (v) foreign institutional investors with sub-account(s);
  - (vi) merchant bankers with their client(s) as acquirer;
  - (vii) portfolio managers with their client(s) as acquirer;
  - (viii) venture capital funds with sponsors;
  - (ix) banks with financial advisers, stock brokers of the acquirer, or any company which is a holding company, subsidiary or relative of the acquirer:  
Provided that sub-clause (ix) shall not apply to a bank whose sole relationship with the acquirer or with any company, which is a holding company or a subsidiary of the acquirer or with a relative of the acquirer, is by way of providing normal commercial banking services or such activities in connection with the offer such as confirming availability of funds, handling acceptances and other registration work;
  - (x) any investment company with any person who has an interest as director, fund manager, trustee, or as a shareholder having not less than 2 per cent of the paid-up capital of that company or with any other investment company in which such person or his associate holds not less than 2 per cent of the paid-up capital of the latter company.

Note : For the purposes of this clause “associate” means –

- (a) any relative of that person within the meaning of section 6 of the Companies Act, 1956 (1 of 1956), and
- (b) family trusts and Hindu undivided families

**In view of the aforesaid provisions, any person desirous of acquiring the shares of VSE should adhere to the following conditions:**

- (1) that under the Regulation, there are restrictions on holding (either directly or indirectly) more than 5% of the paid-up capital of the VSE;
- (2) that under the Regulations there are restrictions on holding (either individually or together with persons acting in concert with him) more than 1% in the paid-up equity capital of VSE without complying with "fit and proper" criteria.

In order to comply with the aforesaid provisions as stipulated by SEBI, **you are requested to disclose / declare in the prescribed format attached herewith to VSE** whether you have become an "Associate" in relation to a shareholder having trading rights and also the names of the individuals / entities that may be construed as "persons acting in concert" as defined under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

For the full text of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006, (Regulations), The VSE (Corporatisation & Demutualisation) Scheme, 2005, you may contact Secretarial Department of the Exchange.

Kindly send your Disclosure and Declaration for acquisition /holding of equity shares in Vadodara Stock Exchange Limited either by post at the registered office or Fax (0265)2361452 or email on [anju\\_vse@yahoo.com](mailto:anju_vse@yahoo.com) / [mdvse@yahoo.com](mailto:mdvse@yahoo.com)

For VADODARA STOCK EXCHANGE LIMITED,

( Dipak Raval )  
Managing Director

Date : 13<sup>th</sup> February, 2008  
Place : Vadodara

Encl : Disclosure and Declaration Form

DISCLOSURE AND DECLARATION FOR ACQUISITION / HOLDING OF EQUITY SHARES IN VADODARA STOCK EXCHANGE LIMITED

To  
The Managing Director  
Vadodara Stock Exchange Limited  
3<sup>rd</sup> Floor, Fortune Tower  
Sayajigunj  
VADODARA – 390 005

From :

(Name) .....  
(Address) .....  
.....  
.....

A. I/We hereby state, declare, confirm and disclose that:

1. Presently I/We are the owners of and/or hold ..... equity shares of Vadodara Stock Exchange Limited (VSE) under DPID ..... Client ID .....
2. I/We desire to purchase / acquire ..... equity shares of VSE (for new shareholder).
3. I/We desire to purchase /acquire additional ..... equity shares of VSE (for existing shareholder).
4. I/We are "Public" / "Trading Member of VSE" / "Associate of shareholders having trading rights in VSE" as defined in the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006, ( "the Regulations").
5. Our present holding together with the additional shares desired to be acquired by us as mentioned above, shall not exceed 5% of the paid-up capital of VSE.

B. I/We state, declare, confirm and disclose that my/our holding in VSE along with the holding of "persons acting in concert" as defined in under Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 is at present ..... % in VSE and upon acquisition of additional ..... equity shares, the same shall exceed 1% of the paid-up capital of VSE. Therefore, as required by the Regulations, we declare that:

1. I/We am/are fit and proper person(s) in terms of Regulation 9(1) and (2) of the Regulations; and

2. I/We have taken prior approval of Securities and Exchange Board of India in terms of the Regulation 9(1) of the Regulations (a copy of the said approval is attached herewith).

C. Details of the persons with whom I am associated (in terms of Regulation 2(1)(b) of the Regulations) :

Name of the shareholder having trading rights in VSE	Clearing No.	Total holding in VSE	
		No. of equity shares	%of equity capital

D. Details of the Persons Acting in Concert with me (in terms of Regulation 9 of the Regulations) :

Name of the person acting in concert	Category	Total holding in VSE	
		No. of equity shares	%of equity capital

E. I/We further declare that to the best of my/our knowledge and belief ;

1. I/We have not contravened any provisions of the Regulations; and
2. I/We have made a full and true disclosure in the matter.

Signature  
(With Rubber Stamp if any)

Date :

Place :

Note : Strike out whichever is not applicable".