Regulation 19 and 20 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations)

Eligibility for acquiring or holding share

19. (1) No person shall, directly or indirectly, acquire or hold any equity shares or voting Rights of a recognized stock exchange or recognized clearing corporation unless he is a fit and proper person:

Provided that the onus shall be on the recognized stock exchange/recognized clearing Corporation to ensure that all its shareholders are fit and proper persons:

Provided further that such a requirement to ensure that all its shareholders are fit and proper Persons shall not be applicable to a recognized stock exchange for shareholding of a person Who directly or indirectly, acquires or holds less than two percent equity shares or voting Rights of such recognized stock exchange.
(2) A person eligible to acquire or hold more than five per cent of the paid up equity share Capital under sub-regulation (2) and (3) of regulation 17 and sub-regulation (2) and (3) of Regulation 18 may acquire or hold more than five per cent of the paid up equity share capital of a recognized stock exchange or a recognized clearing corporation only if he has obtained Prior approval of the Board.

(3) The application for seeking approval in terms of sub-regulation (3) of this regulation shall be made to the Board in the manner specified at PART –F of Schedule –II of these Regulations through the concerned stock exchange / clearing corporation.

(4) The stock exchange / clearing corporation shall verify the declarations/ undertakings Given by the shareholders under sub-regulation (4) and forward the application along with its Recommendation for approval to the Board.

(5) Any person holding two per cent or more of the paid up equity share capital in a Recognized stock exchange or a recognized clearing corporation, as the case may be, shall File a declaration within fifteen days from the end of every financial year to the recognized Stock exchange or recognized Clearing Corporation, as the case may be, that he complies With the fit and proper criteria provided in these regulations.

Monitoring of shareholding limits

19A. The recognized stock exchange / recognized clearing corporation shall put in place a Monitoring mechanism as specified in Part G of Schedule –II of these regulations to ensure Compliance with the shareholding conditions specified in these regulations at all times.

Requirement and criteria of fit and proper

20(1) (a) the 'fit and proper person' criteria shall apply to the applicant, recognized stock Exchange, recognized Clearing Corporation, its shareholders, directors and key management Personnel at all times.

b) The recognised stock exchange or recognised clearing corporation shall ensure that all its shareholders, directors and key management personnel are fit and proper persons at all times.

(2) For the purpose of these regulations, an applicant, a recognised stock exchange or a Recognized Clearing Corporation shall be deemed to be a fit and proper person,

if- (a) Such a person has a general reputation and record of fairness and integrity, including but Not limited to – (i) Financial integrity; (ii) Good reputation and character; and (iii) Honesty;

(b) Such a person has not incurred any of the following disqualifications —

(i) 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;

(ii) An Order for winding up has been passed against the person;

(iii) The person has been declared insolvent and has not been discharged;

(iv) An Order; restraining, prohibiting or debarring the person, from dealing in Securities or from accessing the securities market, has been passed by the Board And a period of three years from the date of the expiry of the period specified in The Order has not elapsed;

(v) Any other Order against the person which has a bearing on the securities market, Has been passed by the Board and a period of three years from the date of the Order has not elapsed:

(vi) The Board has initiated recovery proceedings under the Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) that are pending;

(vii) The person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;

(viii) The person is financially not sound or has been categorized as a willful defaulter; and

(ix) Any other disqualification as may be specified by the Board from time to time.

(3) If any question arises on the decision of a recognized stock exchange or recognized Clearing corporation as to whether a person is a fit and proper person, the decision of the Board on such question shall be final.

Note :- For more information, please go thought SEBI link given below.

https://www.sebi.gov.in/legal/regulations/nov-2025/securities-contracts-regulation-stock-exchanges-and-clearing-corporations-regulations-2018-last-amended-on-november-22-2025-_98205.html