

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:800
ANSWERED ON:22.11.2002
M.H. KANIA COMMITTEE RECOMMENDATION
SUBODH MOHITE

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the M.H.Kania Committee on Corporatisation and demutualisation of stock exchanges has recommended the abolition of the concept of regional stock exchanges in the country;
- (b) if so, the details thereof and the other recommendations of the Committee;
- (c) whether the Government have examined these recommendations; and
- (d) if so, the reaction of the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b): The Kania Committee has noted that the concept of regional stock exchange, which was introduced in the days of manual trading and open outcry system to encourage mobilization of resources and development of equity cult across the country, has lost its relevance in the days of automated trading. The Group therefore felt that the concept of regional stock exchange needs to be abolished. Some of the other recommendations of the Committee are:

- the stock exchanges which are set up as association of persons and those which are set up as companies limited by guarantee be converted into companies limited by shares;
- a common model for corporatisation and demutualisation be adopted for all stock exchanges; and
- Clause (j) of section 2 of Securities Contracts Regulations Act, 1956 would need to be amended to provide that a stock exchange should be a company incorporated under the Companies Act.
- The three stakeholders viz. shareholders, brokers and investing public through the regulatory body should be equally represented on the governing board of the demutualised exchange;
- there should be specific vacancies on the board for each group of stakeholders;
- the shareholders' representatives should not be functioning brokers;
- the brokers representatives would be elected by the shareholders from among the brokers of the exchange;
- the representatives of the investing public would be nominated by SEBI from among a panel comprising of academics, professionals, industry representatives, public figures and investor associations, none of who should have any interest in any broking firm;
- adequate disclosures about the background of the directors of the board should be provided to the shareholders at the annual general meetings and the annual reports;
- The roles and hence the posts of the Chairman and Chief Executive should be segregated. The Chairman should be a person who has considerable knowledge and experience of the functioning of the stock exchanges and the capital market;
- the Chairman of the Board should not be a practicing broker;
- the demutualised stock exchanges should follow the relevant norms of corporate governance applicable to listed companies in particular, the constitution of the audit committee, standards of financial disclosure and accounting standards, disclosures in the annual reports, disclosures to shareholders and management systems and procedures;

(c)&(d): (SEBI). The recommendations of the Committee are yet to be approved by the Board of the Securities and Exchange Board of India.

