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Calcutta Stock Exchange: Resolving Regulatory Challenges in Respect of Freezing of Promoters/ Directors DEMAT Accounts & Delisting of Shares

Historical Background of Calcutta Stock Exchange (CSE)

1830

- Stock-broking in Calcutta was first conducted in the 1830s under a neem tree

1908

- An association of brokers was established , with the name 'Calcutta Stock Exchange Association' with 150 members.

1997

- Introduction of C-STAR (CSE Screen Based Trading and Reporting) and digitization

1863

- Took a rental premises, to conduct operations

April 1980

- CSE was granted permanent recognition by the Central government under provisions of the SCRA, 1956



● Why did CSE and other regional bourses decline?

- After the **establishment of NSE in 1994**, the regional exchanges share was reduced from 45.6% just 8.4% of the total volume.
- Impact of the **ban on badla trading in 2001**
- **Initiation of online trading**
- **Ketan Parekh scam in 2001.**



Why was CSE asked to exit by SEBI?

2008

- SEBI issued guidelines to provide an exit option for Regional Stock Exchanges whose:
 - annual turnover was less than ₹1,000 crore and
 - net worth less than ₹100 crore, and
 - do not have a tie-up with a clearing corporation to voluntarily surrender their recognition within 2 years.
- If not, SEBI was allowed to forcefully de-recognise and start exit proceedings of such exchanges.

2013

- In April 2013, SEBI ordered suspension of the CSE's trading operations on C-STAR due to failure to comply with its regulatory norms, forcing its exit.
- While CSE had fulfilled two of SEBI's criteria, it failed to establish or tie up with a clearing corporation.
- SEBI had refused to grant CSE a time extension on technical grounds.
- Later, the Calcutta High Court upheld SEBI's order forcing CSE's exit – putting all trading operations on CSE to a halt.



Current state of Calcutta Stock Exchange (CSE)

2011

- CSE entered into a five-year contract with NSE allowing its members to trade on the latter's platform, with SEBI's approval. The contract was automatically extended till September 2021.

2023

- NSE terminated its trading agreement with the CSE

2020

- SEBI had questioned the NSE on continuing the agreement

2023

- Though NSE's move was stayed temporarily by the Calcutta High Court, a division bench vacated the interim stay on November 17

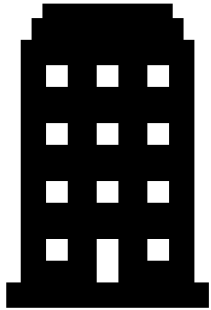


● Current state of Calcutta Stock Exchange (CSE)

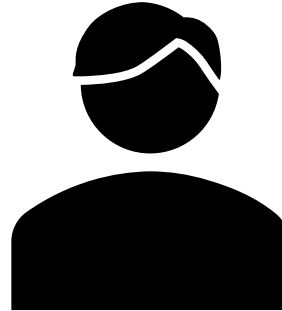
- All CSE shareholders have been asked to close all open transactions **by November 28** – setting an end date to all of CSE's trading.
- These members will now have to **de-list from the CSE** and take an NSE membership or become NSE sub-brokers.



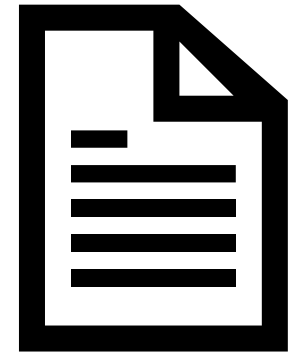
Current state of Calcutta Stock Exchange (CSE)



1842 listed companies



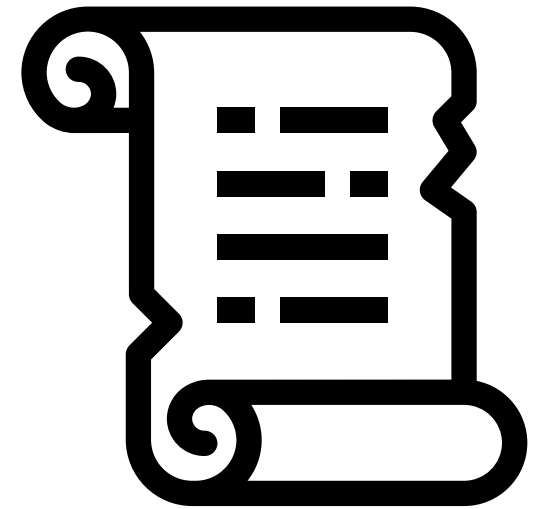
400 registered trading members



Financial Year 2022-23:
Total revenue is **Rs 17.88 crore** and its profit is barely **Rs 4 crore**

● Current situation at Calcutta Stock Exchange (CSE)

- CSE issued notices to all non-compliant companies and did not approach for the revocation of the suspension.
- Furthermore, the CSE is also freezing the demat accounts of promoters/directors of such companies.



● Freezing of Demat Accounts of Promoters/ Directors by CSE

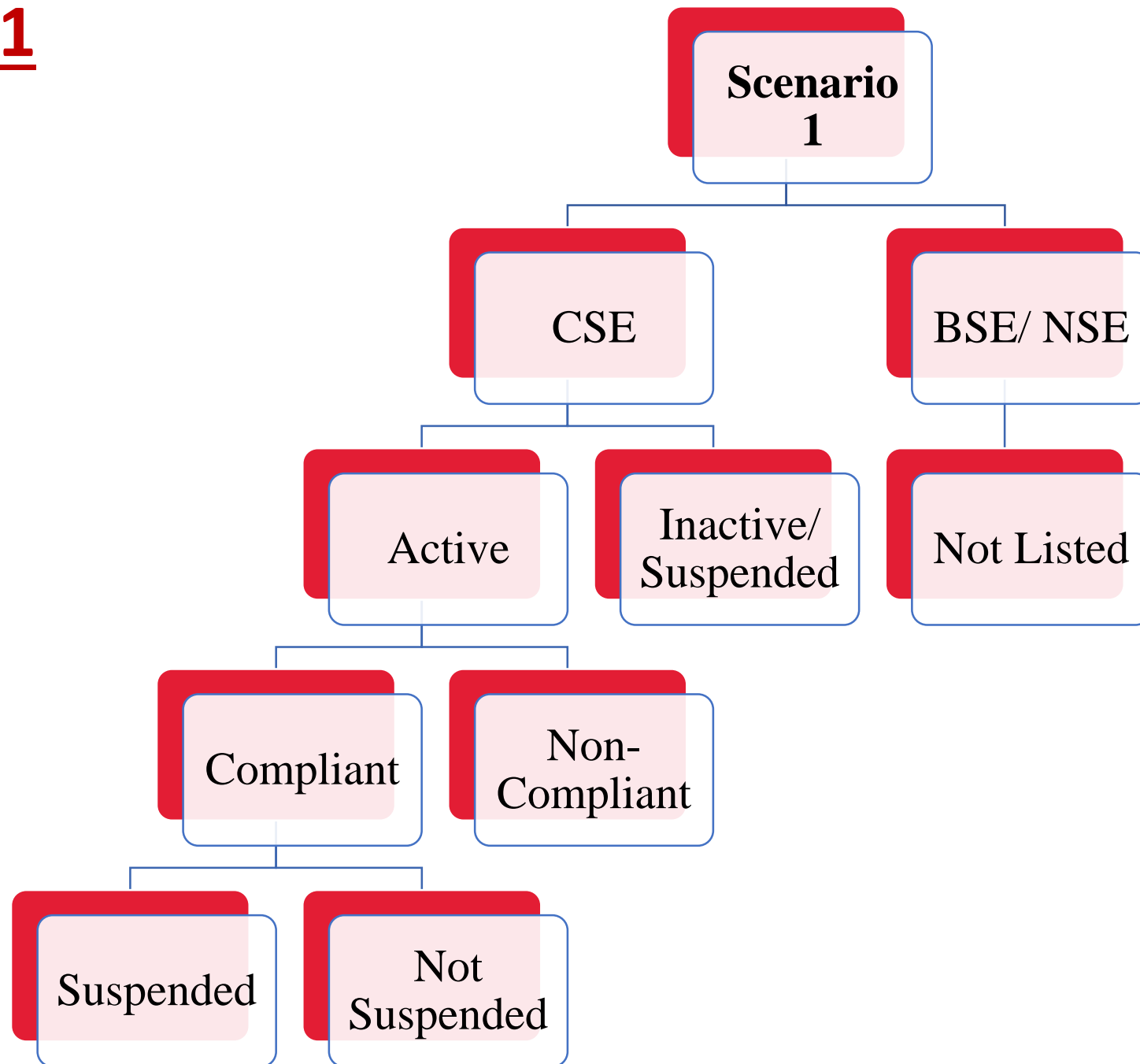
Date of Notice	No. of suspended listed companies
04 October, 2023	25 Companies
22 December, 2023	18 Companies
29 December, 2023	31 Companies



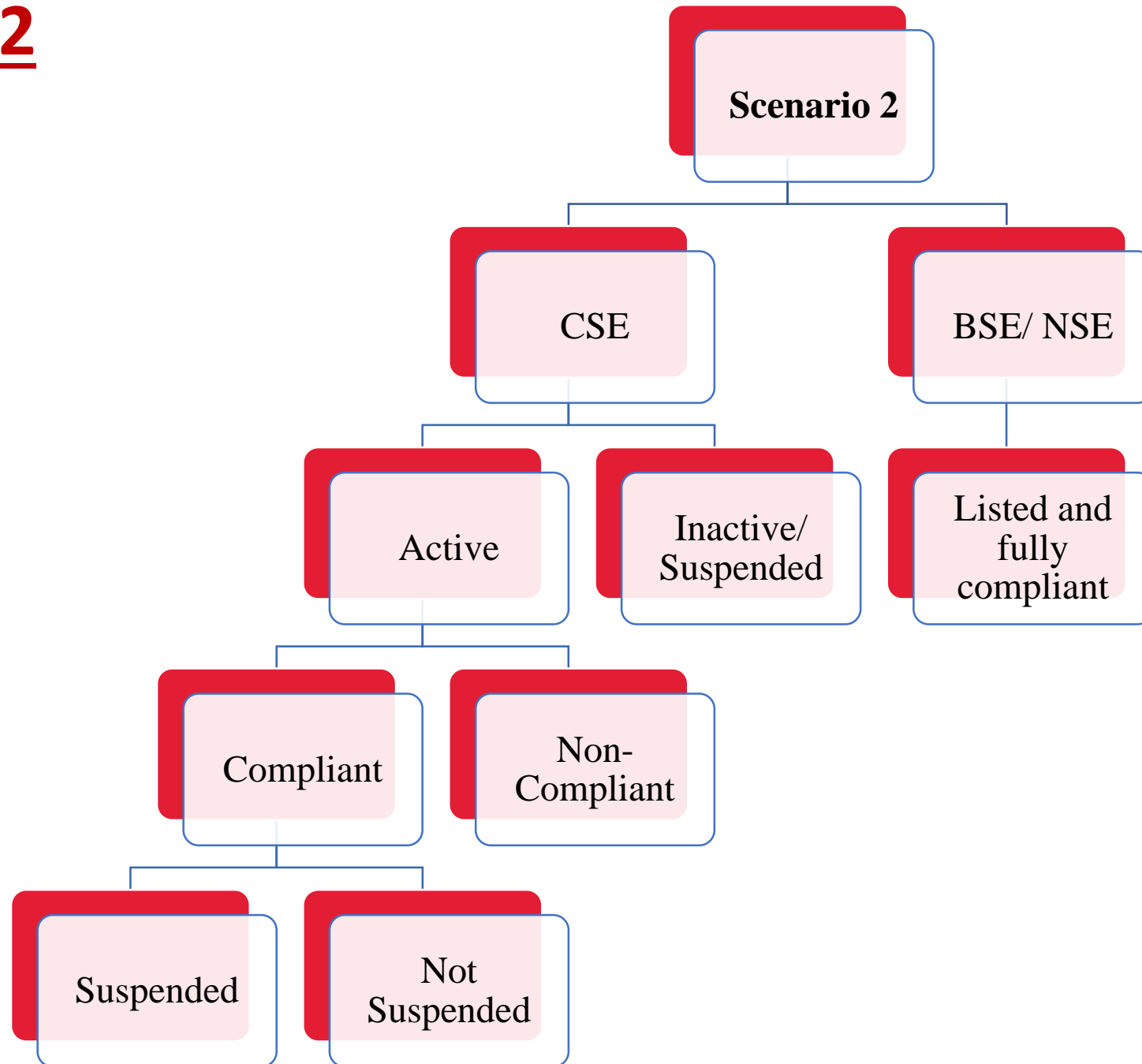
Different Scenarios



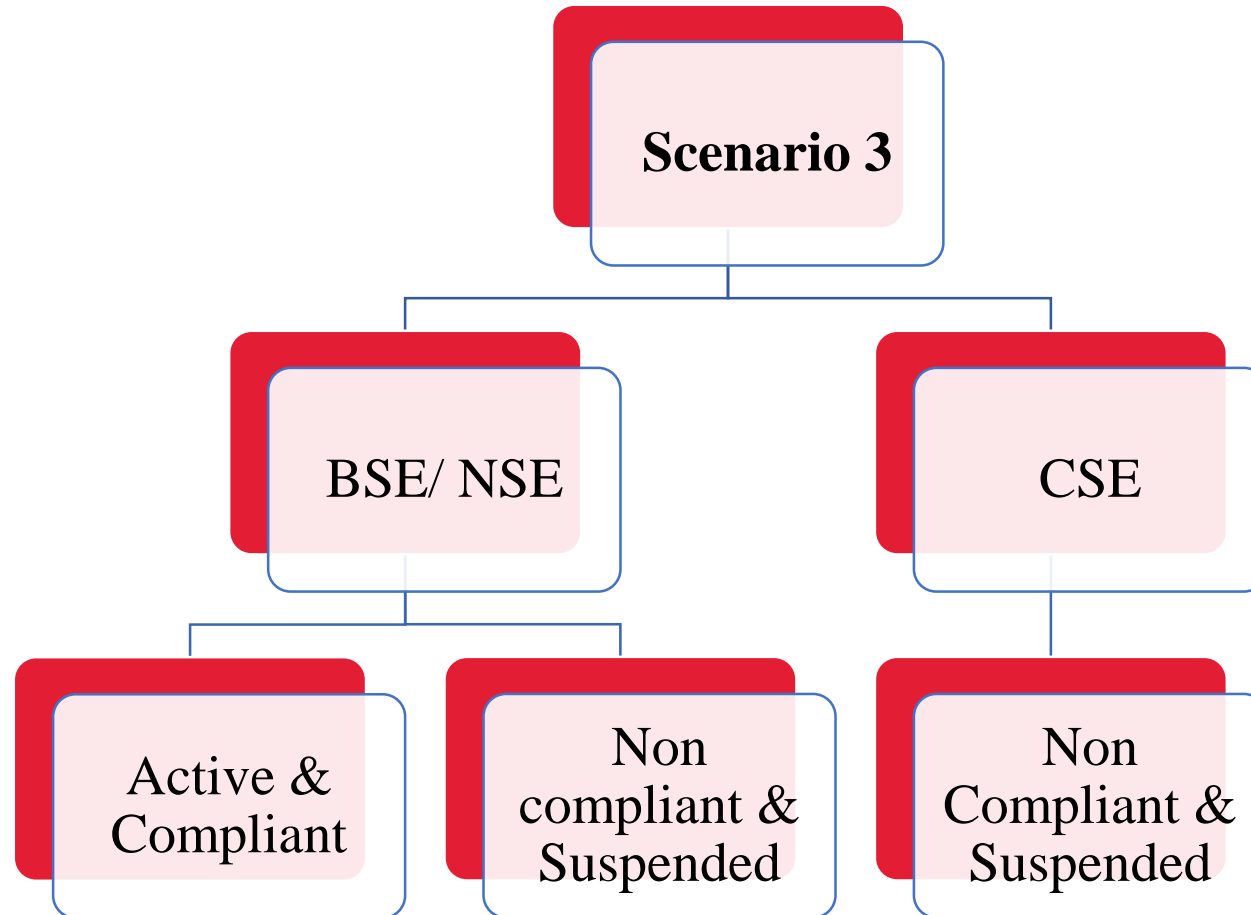
Scenario 1



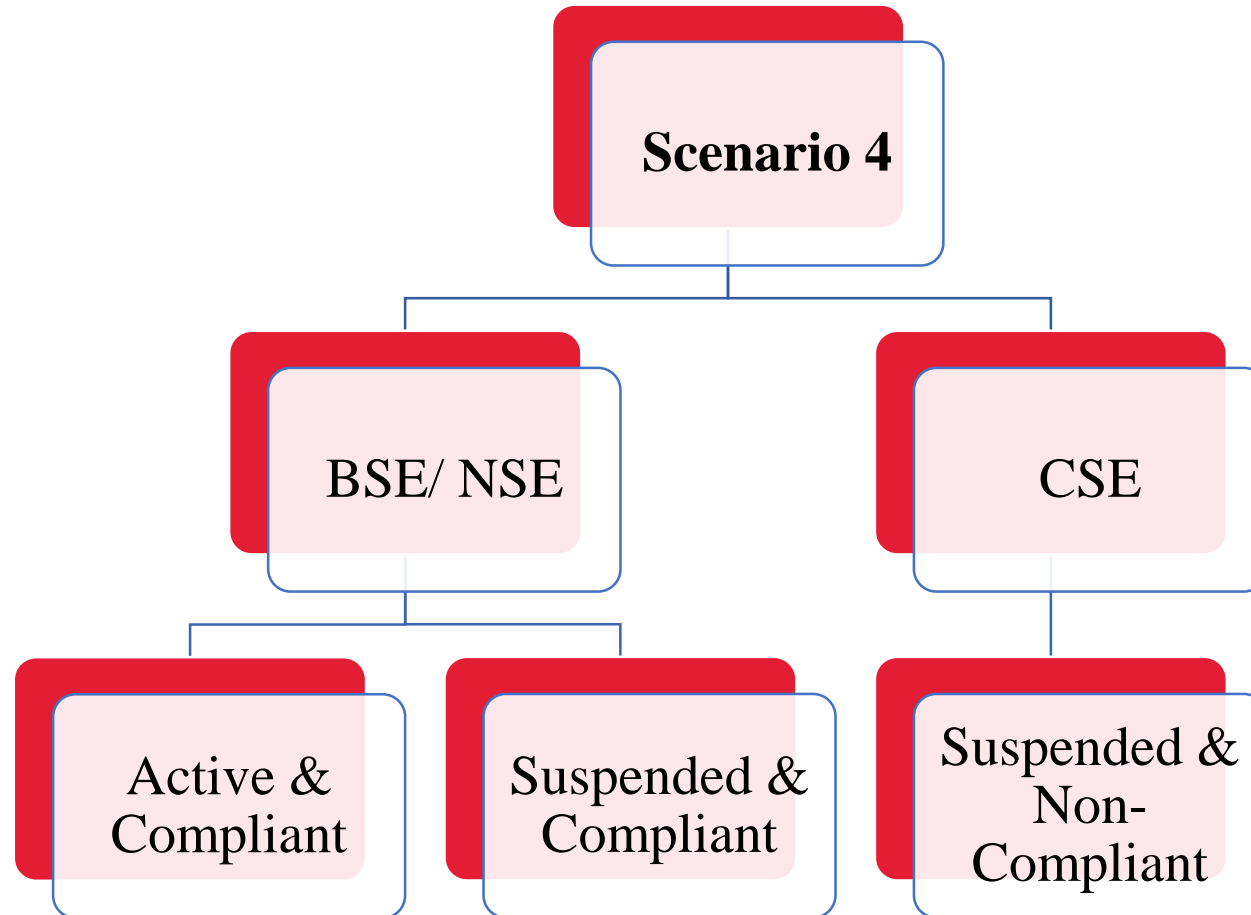
Scenario 2



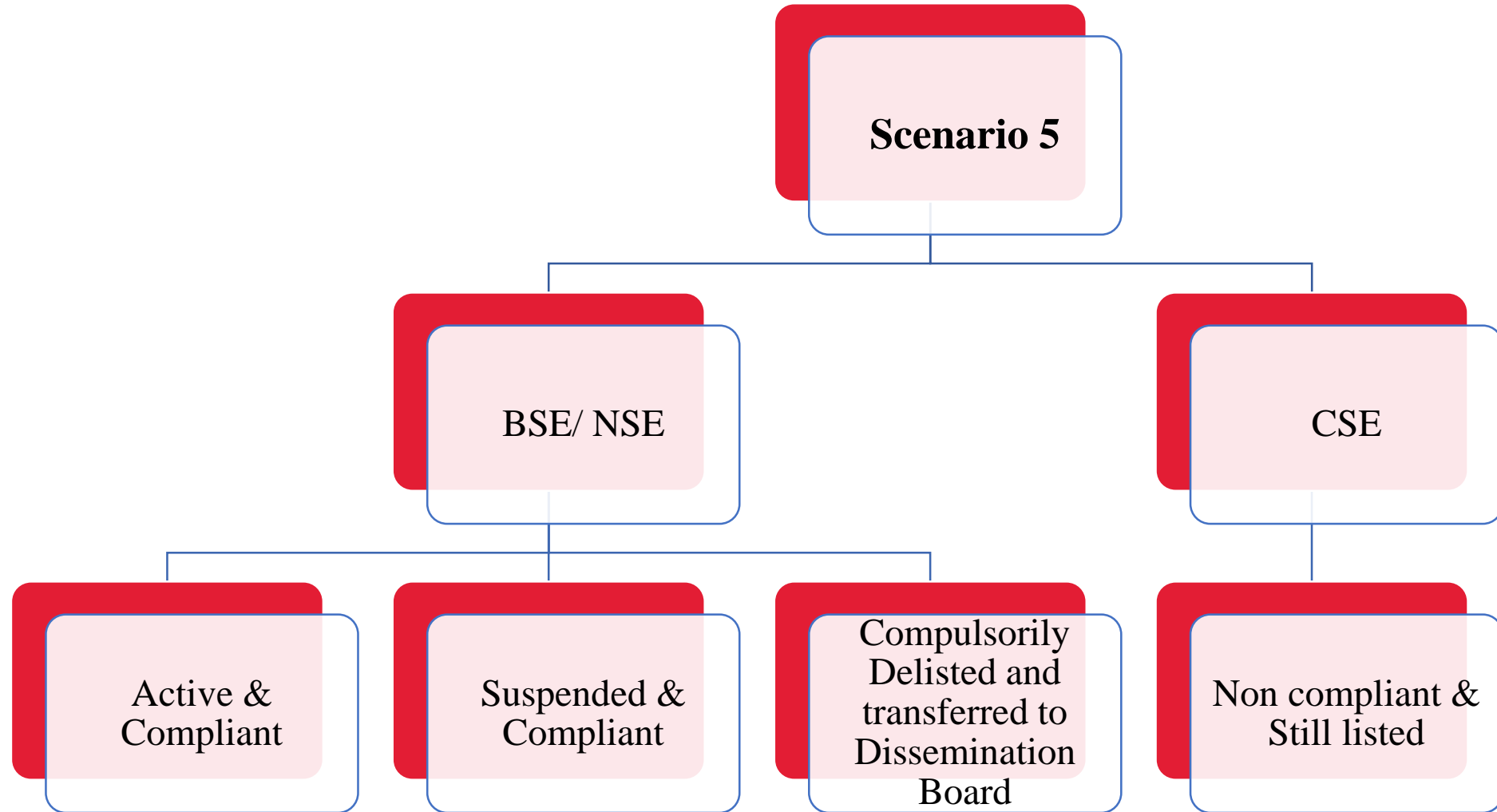
Scenario 3



Scenario 4



Scenario 5





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