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Date: 16 September 2014

Corporate Relations Dept., **BSE Limited** P. J. Towers, Dalal Street, Mumbai – 400 001	Listing Dept., **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051

Sub: FTIL Board release issued in the interest of 60,000 shareholders of FTIL, its employees and other stakeholders

The Board of Directors of Financial Technologies (India) Limited ("FTIL") has learnt from various media reports that the Forward Markets Commission ("FMC") has recommended to the Government to merge the National Spot Exchange Limited ("NSEL") with FTIL and change the management of FTIL.

As the subject matter directly affects the interests of FTIL and its more than 60,000 shareholders, 1000+ employees, lenders and other stakeholders, the Board of FTIL is opposed to the FMC's above recommendation for the following facts and reasons:

1. Under the Companies Act, the Government can merge two companies only if such merger is "essential in the public interest". The interest of the 13,000 clients of the brokers who traded on NSEL platform for higher returns (hereinafter referred to as the "Trading Clients") cannot be termed as "public interest" when 66% of the entire outstanding amount is being claimed by just 6% of the Trading Clients (i.e. by just 781 persons). Further, the Hon'ble High Court of Bombay, in its order dated 22 August 2014, has questioned whether these Trading Clients are "genuine investors".

2. If the dues of the Trading Clients are considered as "public interest", then the interests of more than 60,000 public shareholders of FTIL are equally important "public interest". Should more than 60,000 public shareholders of FTIL suffer a non-existent liability of Rs.5,500 crores by the device of a forced merger when the very existence of any legal liability of NSEL and consequently of FTIL as its holding company, is *sub-judice* before the Hon'ble High Court of Bombay?

3. The question whether NSEL is at all liable for the alleged dues of Rs. 5,500 crores (or any part thereof) of the Trading Clients, is currently *sub-judice* in 4 civil suits filed before the Hon'ble High Court of Bombay by the some of the Trading Clients. In fact, in Suit No. 173 of 2013, the Hon'ble High Court of Bombay, by its Order dated 2 September 2014, has already constituted a high powered committee under the chairmanship of a former judge of the Bombay High Court to ascertain the liability of each of the 24 defaulting members of the exchange who traded on NSEL's trading platform and failed to honour their pay-in obligations towards the brokers of the Trading Clients (hereinafter referred to as "Defaulters") and to recover all the monies of the Trading Clients' from such Defaulters.

4. FTIL, without prejudice to its legal rights, has fully supported NSEL in its recovery efforts. NSEL has received a loan of Rs. 179 crores from FTIL and used this to alleviate the suffering of all the 6,600 small investors by paying 50% of their outstanding dues, though it is not even the liability of NSEL. In addition, NSEL has recovered more than Rs. 360 Crores from the 24 Defaulters and the same has been/is being

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distributed amongst the Trading Clients on proportionate basis. Further, NSEL, with support from FTIL and under guidance from the FMC, has been making all efforts for recovery of the monies from the Defaulters including but not limited to filing various recovery suits and criminal complaints for dishonour of cheques against the Defaulters. FTIL has also supported NSEL for its day to day administrative and legal expenses.

5. As per press reports, a similar proposal by the Ministry of Corporate Affairs to take control of the management of FTIL was not agreed upon by the Ministry of Law in June 2014.

6. Comprehensive investigation by the EOW has revealed that the entire outstanding dues of the Trading Clients are with the 24 Defaulters. No trail of the Trading Clients' money (whether direct or indirect) has been traced either to NSEL or to FTIL or to FTIL's management. The same has also been observed by the Hon'ble High Court of Bombay in its Order dated 22 August 2014.

7. In addition to the formation of High Court monitored committee for recovery of the dues of the Trading Clients from the Defaulters, the interests of the Trading Clients are adequately protected as their dues have already been secured by the Courts and authorities in the following manner:

   (a) Assets of the 24 Defaulters and the directors of NSEL worth approximately Rs. 4,900 Crores have already been secured by the EOW for attachment and liquidation under the MPID Act, 1999.

   (b) Further, we understand that the EOW is understood to have identified more than 200 properties of the Defaulters for attachment under the MPID Act, 1999.

   (c) The Enforcement Directorate is also said to have attached multiple assets of the Defaulters having book value of more than Rs. 200 Crores under the Prevention of Money Laundering Act, 2002 ("PMLA"). We understand from press reports that the Government of India is actively considering the proposal of the Trading Clients to amend the PMLA so that the proceeds of the assets attached under the PMLA can be paid to the Trading Clients instead of the same going to the Government.

In these circumstances, while investigations and various legal proceedings are pending where the actual facts are yet to be established, any action based on FMC's recommendations towards merging NSEL with FTIL as proposed by the FMC, will irreparably prejudice and harm FTIL and its over 60,000 shareholders, 1000+ employees, lenders and other stakeholders. Instead of merging NSEL with FTIL, the real solution lies in the Trading Clients, the brokers and the Government agencies joining forces with NSEL to ensure recovery of the monies from the 24 Defaulters, especially when 85% of the monies are with only 7 Defaulters.

Yours faithfully,
For Financial Technologies (India) Limited

Hariraj Chouhan
Vice-President & Company Secretary

CC:

- Madras Stock Exchange Limited
- Ahmedabad Stock Exchange Limited