

Headline: NSE Board okays listing of its shares	
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NSE Board Okays Listing of its Shares



The NSE board has finally approved listing of its shares, reports **Sugata Ghosh**. The proposal, cleared by the board last week, follows a recent meeting between Ashok Chawla, the new NSE chairman, and senior officials of the capital markets regulator Sebi. >> 9

STREET DEBUT

NSE Board Approves Listing Proposal

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Mumbai: After a year of frenetic lobbying by a clutch of foreign and local investors, the board of the National Stock Exchange (NSE), India's largest bourse, has finally approved the listing of its shares.

The proposal, cleared by the board last week, follows a recent meeting between Ashok Chawla, the new NSE chairman, and senior officials of the capital market regulator Sebi.

Chawla is believed have sounded out the regulator about the possibilities of an overseas listing by NSE. According to a board member, NSE—which had once resisted the idea of a listing—would simultaneously pursue a plan to list on a domestic as well as an international stock exchange.

NSE has been trying to send across the message to investors that it is not averse to listing locally but conflicts arising from such a move have to be addressed—more so post the 'listing obligations and disclosure regulations' which came into effect since December 2015. With this, the earlier listing 'agreement' has been upgraded to a 'regulation' that is far more binding even on the regulator.

Public Play

NSE to simultaneously consider local and foreign listing



Some of its investors are impatient for an exit route

These investors hired a law firm to lobby with finance ministry

A regulatory solution is required for domestic listing



Listing could be through offer for sale (OFS) of some shares by existing investors

"An exchange can inspect the books of another exchange which is listed there; seek comments and confirmation on any news report and demand specific details. An exchange that is perceived to have not acted can be taken to court for alleged lapses... Earlier, in a listing agreement, an exchange could have given certain leeway to companies which were listed, but not any longer as the new set of rules are now part of regulations," said a senior lawyer familiar with the subject.

Under the circumstances, NSE has to find a regulatory solution to this aspect of domestic listing. This could be in the form of a regulatory arrangement where Sebi directly regulates NSE instead of the exchange on which it is listed. Such regulatory framework are in place in some markets.

Some of these issues were discussed with investors who have been mounting pressure on NSE for an early listing. This group of investors had hired a leading law firm to pursue the matter with the finance ministry; few of them also freely shared their views to newspapers and wrote letters expressing their dissatisfaction to the former NSE chairman SB Mathur. But a few of these outspoken advocates of listing had not executed with NSE any investment term-sheets or agreements that specify listing of shares within a definite time frame.

The issue first flared up last October up when 16 foreign institutional investors came together to write a letter to the finance minister saying that in the evolutionary process of stock exchanges, listing is the next logical step after demutualization.

Exit for Existing Shareholders

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“Majority of the stock exchanges around the world got listed with a year from their demutualization. Many exchanges in the emerging markets have listed (eg. Moscow Exchange, Warsaw Stock Exchange, Bovespa) with the rationale of (a) improving transparency and governance of the listing platform, (b) completing a major milestone for the development of the country’s capital markets amidst the government’s privati-

zation drive, (c) providing liquidity to existing shareholders,” said the letter.

“Providing an avenue to exit and thereby release capital for existing shareholders (including government-owned banks and insurers) who have played the development role thus far and have been supportive shareholders. Raising the holding limit for foreign investors would also pave the way for transfer of technology and best practices from other jurisdictions,” said the investors, many of whom have been looking for an exit route.