



CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2017/95

August 10,2017

To,

**All recognised Stock Exchanges/ Clearing Corporations in International Financial Services Centre (IFSC)
All recognised Stock Exchanges/ Clearing Corporations
All Registered Intermediaries**

Dear Sir/Madam,

Sub: Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015-Liquidity Enhancement Scheme.

1. SEBI vide circular CIR/MRD/DP/14/2014 dated April 23, 2014 permitted stock exchanges to introduce liquidity enhancement schemes in the equity derivatives and equity cash segments to enhance liquidity in illiquid securities.
2. Clause 5 of the SEBI circular dated April 23, 2014 prescribes that the incentives under liquidity enhancement schemes shall be transparent and measurable.
3. Based on the internal discussions and consultations held with the stakeholders and given the fact that the stock exchanges at GIFT IFSC are in a nascent stage and do not have access to net profits/free reserves, it has been decided to grant an exemption to stock exchanges at IFSC from complying with clause 5.1 and 5.2 of SEBI circular dated April 23, 2014 subject to the condition that the exchange would create a reserve specifically to meet Liquidity Enhancement Schemes (LES) incentives/expenses based on the normative study of the LES in the domestic market and such reserves would not be included in the net worth calculation.

4. Further, based on the aforesaid normative study, stock exchanges at IFSC shall furnish proposal for approval.
5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of and to regulate the securities market.
6. Other contents of the SEBI Circular No: CIR/MRD/DP/14/2014 dated April 23, 2014 will remain operative.
7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Bithin Mahanta
Deputy General Manager
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