

Ref: 05-06/ISS/34979/GC

May 10, 2006

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Administrators/ Executive Director of Participating Exchanges, Co-ordination Officers at Participating Exchanges

Dear Sir,

**Sub: Non-acceptance of Fixed Deposit Receipts and Bank Guarantees in the NSE CM ,
BSE Equities and NSE F&O segments**

ISE Securities & Services Limited (ISS) has hitherto been accepting Cash, Fixed Deposit Receipts drawn on HDFC Bank, Bank Guarantees and Approved Securities from Registered Intermediaries towards Base and Additional Capital. ISS used to place the Fixed Deposit Receipts and Bank Guarantees received from Registered Intermediaries with HDFC Bank for a back-to-back Bank Guarantees favouring NSCCL (NSE) or BOISL (BSE) as the case may be. This back-to-back Bank Guarantee arrangement was being provided only by HDFC Bank. On the strength of the Fixed Deposit Receipts and Bank Guarantees, ISS used to get Bank Guarantees drawn on HDFC Bank favouring NSCCL or BOISL which would earn ISS the trading and exposure limits. These trading and exposure limits were then given to the Registered Intermediaries

ISS has now been informed by HDFC Bank that they have reached their capital market exposure limits as prescribed by the RBI. Therefore, HDFC Bank will not be extending the facility of back-to-back arrangement. ISS is thus constrained to stop accepting Fixed Deposit Receipts and Bank Guarantees from Registered Intermediaries, as the same cannot be converted into trading and exposure limits on NSE and BSE.

ISS has received large value of FDRs and BGs which are presently lying unutilized in its custody. This has put tremendous pressure on the working capital of ISS since ISS is required to deploy its own funds in order to get the limits from NSCCL or BOISL. This has led to a tremendous crunch on the resources of ISS. Thus it has been decided that the Fixed Deposit Receipts and Bank Guarantees already received from Registered Intermediaries but lying unutilized towards back-to-back arrangements be returned to the Registered Intermediaries. Accordingly, the trading and exposure limits on these instruments shall stand appropriately reduced.

Registered Intermediaries who have received their FDRs / BGs from ISS are advised to replace the same with approved securities and/or cash towards Base and Additional Capital. Registered Intermediaries are advised to refer to Ref: 05-06/ISS/27784/MB dated September 25, 2005 and subsequent circulars issued in this regard.

Yours faithfully

For ISE Securities & Services Ltd.,

GOVIND S CHAVAN

HEAD – Operations