

Ref: 08-09/ISS/ 499 /KS  
May 21, 2008

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**All Registered Intermediaries of ISS  
Administrators/ Executive Director of Participating Exchanges, Co-ordination Officers at  
Participating Exchanges/ Regional Administrative Offices**

Dear Sir / Madam,

**Sub: Penalty for violation of client limit in F & O segment**

As a risk management measure and in order to safeguard the interests of all concerned, a comprehensive risk management system has been evolved in the F&O segment of ISS.

At the beginning of each trading day, ISS would determine the initial margin position of each client / Authorized Person in F& O segment. ISS has observed that some of mini admin provided to allot margins to Cash market client wise been misused for the F&O. As per the NSE, F&O segment margin and accounting is on end client level from the member itself. Its been observed that using the mini Admin client having margin been reduced and the same value been allocated to another clients which is a serious violation.

Mini Admin users are strictly instructed to utilize the Surveillance maintenance and deposit entry only with respect to the Cash segment of NSE/BSE. They should approach the HO Surveillance for any changes in these modules. Necessary software modification is sought from the vendor to disable the option of surveillance maintenance for F&O in mini admin until then, if ISS observe misuse of the facility then ISS will withdrawal the mini admin facilities of sub-broker as well as apply the penalty as per NSE F&O rules.

**Short reporting of margins in Client Margin Reporting Files**

Percentage of Excess position than the class RMS Margin	Penalty per instance
<1%	Nil
>1% but less than or equal to 10%	Reprimand Letter
>10%	Rs.1000 or 0.10% of the shortage amount whichever is higher subject to a maximum of Rs. 1,00,000/-

All registered intermediaries are requested to kindly take note of the above.

Yours faithfully,  
**For ISE SECURITIES & SERVICES LTD.**

**KEVIN. M. N. SUNDER  
HEAD – SURVEILLANCE & INSPECTION**