

Ref: 08-09/ISS/ 615 /KS
June 13, 2009

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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: Collateral deposited by clients with ISS.

This has reference to the above mentioned subject; we wish to inform all Registered Intermediaries (RIs) of ISS to take note of the SEBI Circular No. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 and NSE Circular No. NSE/INSP/2008/66 dated 21st April 2008 on the collateral deposited by clients. A copy of the same is placed below for ready reference.

We would like to bring to the notice of our Registered Intermediaries to adhere to the following:

1. All requests received from the clients for the deposit of collaterals or withdrawal of the collaterals will be acknowledged by the Relationship Managers of ISS and written confirmation will be sent to the client
2. New format of collateral deposit and collateral is placed below and the clients authorization is required for deposit of collateral with the exchange / clearing corporation / clearing house towards margin and vise versa.
3. ISS will issue a statement of collateral to the clients regularly and on monthly basis.
4. ISS will credit the corporate action benefits to the client as and when it is received by ISS.

In case RIs require any further clarification / information regarding to the said subject, you may contact the undersigned on 9323189537 or at custody@iseindia.com or Tel. 67941115.

Thanking you,

Yours faithfully,
For ISE SECURITIES and SERVICES LIMITED

Kevin M. N. Sunder
Head Custody Department

(On the letter head of client to be faxed on 022-67941160)

Client Code: _____
Client Name: _____
Segment _____
Client e-mail id and tel. No. _____

The Relationship Manager
ISE Securities & Services Ltd,
International InfoTech,
Tower No. 7, 5th floor,
Vashi, New Mumbai 400 703.

SUB: - DEPOSIT OF SECURITIES TOWARDS INITIAL MARGIN.

We have transferred the following shares in to your _____ Segment Collateral A/c
No. _____ from our default demat a/c no. DPID _____
and Client ID _____.

SCRIP CODE	ISIN NO.	SCRIP NAME	QTY	Value (previous days closing price	Total Value

I/We hereby authorize ISE Securities and Service Ltd. for deposit of collateral with the
exchange / clearing corporation / clearing house towards margin

Thanking you,

Signature of the client.

Signature of Relationship Manager

[OFFICE USE]

DEPOSIT	APPROVED LIST	REVD CDSL	SEC.EXP	DP I.SLIP	HDFC/EXCH	MIS. ENTRY	BACK.OFF. ENTRY
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Prepared by _____ Checked by; _____

Approved by: _____

(On the letter head of client to be faxed on 022-67941160)

Client Code: _____
Client Name: _____
Segment _____
Client e-mail id and tel. No. _____

The Relationship Manager
ISE Securities & Services Ltd,
International InfoTech,
Tower No. 7, 5th floor,
Vashi, New Mumbai 400 703.

SUB: - WITHDRAWAL OF SECURITIES TOWARDS INITIAL MARGIN.

We request is to transfer the following shares of _____ Segment pledge in your Collateral A/c No. _____ from our default demat a/c no. DPID _____ and Client ID _____.

SCRIP CODE	ISIN NO.	SCRIP NAME	QTY	Value (previous days closing price)	Total Value

I / We hereby authorize ISE Securities and Service Ltd. for withdrawal of collateral with the exchange / clearing corporation / clearing house towards margin. Kindly withdraw the shares and credit in my above-mentioned default demats a/c. No.

Thanking you,

Signature of the client.

Recommendations of Relationship Manager

Ledger balance of Client _____ as on date Rs. _____
Sub-broker (I000 / C000) ledger balance as on date is Rs. _____

Signature of Relationship Manager

[OFFICE USE]

WITHDRAWAL	SEC.EXP.	MIS	CIM	HDFC	BACK.OFF	I M NIG	B. BNK	LEDGER	PAYOUT
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Prepared by _____ Checked by; _____
Approved by: _____

NATIONAL STOCK EXCHANGE OF INDIA LIMITED
INSPECTION DEPARTMENT
CIRCULAR

DOWNLOAD REF.NO: NSE/INSP/10605
Circular no. NSE/INSP/2008/66

Dated: 21st April 2008

To
All clearing members and trading members

Sub: Collateral deposited by clients with members

Attention of all the members is drawn to SEBI's circular no. MRD/DoP/SE/Cir-11/2008 dated 17th April 2008 on the collateral deposited by clients. A copy of the same is placed below for ready reference and compliance with the provisions thereof.

For any clarifications, members may contact any of the following officials:
Mr. Ankit Badalia, Ms Sania Surve, Mr Joginder Singh, Mr Sachin Dandekar
Phone Nos. 2659 8196 (Direct)
2659 8100 – 8114 Extn. – 5127 / 5128 / 5117 / 5108

For **National Stock Exchange of India Ltd.**

A.Sebastin
Asst. Vice-President
Inspection Department

Chief General Manager
Market Regulation Department-Division of Policy
E-mail: mdrao@sebi.gov.in

MRD/DoP/SE/Cir- 11/2008
April 17, 2008

The Executive Directors/Managing Directors
of all Stock Exchanges

Dear Sir / Madam,

Sub: Collateral deposited by clients with brokers

1. SEBI has earlier issued circular Ref.:SMD/SED/CIR/93/23321 on November 18, 1993 specifying the norms for regulation of transactions between clients and brokers, and circular SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004 specifying the model format for the Member Clients Agreements, which also inter-alia specifies need for segregation of client money's / securities deposited as margin.
2. In continuation of earlier circulars and in order to reiterate the need for brokers to maintain proper records of client collateral and to prevent misuse of client collateral, it is advised that :-
 - 2.1 Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.
 - 2.2 Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-
 - a. Receipt of collateral from client and acknowledgement issued to client on receipt of collateral
 - b. Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin
 - c. Record of deposit of collateral with exchange / clearing corporation / clearing house
 - d. Record of return of collateral to client
 - e. Credit of corporate action benefits to clients
 - 2.3 The records should be periodically reconciled with the actual collateral deposited with the broker.
 - 2.4 Brokers should issue a daily statement of collateral utilization to clients which shall include, inter-alia, details of collateral deposited, collateral utilised

and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities.

3. In case of complaints against brokers related to misuse of collateral deposited by clients, exchanges should look into the allegations, conduct inspection of broker if required and based on its findings take necessary action.
4. In case client collateral is found to be mis-utilised, the broker would attract appropriate deterrent penalty for violation of norms provided under Securities Contract Regulation Act, SEBI Act, SEBI Regulations and circulars, Exchange Byelaws, Rules, Regulations and circulars.
5. The Stock Exchanges are advised to :-
 - 5.1. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - 5.2. bring the provisions of this circular to the notice of the member brokers/clearing members, depository participants and also disseminate the same on their website.
 - 5.3. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.
6. 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.

Yours faithfully,

S V Murali Dhar Rao