

Ref: 11-12/ISS/ **672** /KS
August 23, 2011,

All Registered Intermediaries of ISS (RIs)

Dear Sir / Madam,

Sub. : Short-collection/Non-collection of client margins (FNO & CD Segments)

Attention of Members is drawn to the provisions of SEBI circular Ref No: - CIR/DNPD/7/2011 dated 10th August,2011 and NSE circular Ref No : - NSE/CD/C&S/18594 dated 10th August,2011 regarding Short-collection/Non-collection of clients in Equity and Derivatives Segments. This circular is available on SEBI website at www.sebi.gov.in and NSE website at <http://nseindia.com>.

The above circular shall be effective from September 1, 2011.

For any further clarifications, please contact the under-signed or Mr. Datta Jogdand, custody@iseindia.com Tel. No's. 022-67941109, 67941138,67941115.

Thanking you,

Yours faithfully
For ISE SECURITIES AND SERVICES LTD.

KEVIN MN SUNDER
Senior Manager, Head, Custody Department

Encl: SEBI/NSE circulars as referred above.



CIRCULAR

CIR/DNPD/7/2011

August 10, 2011

To

Managing Director/ Chief Executive Officer

Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Short-collection/Non-collection of client margins (Derivatives Segments)

1. In consultation with BSE, MCX-SX, NSE and USE, it has been decided that Stock Exchanges shall levy penalty specified hereunder on trading members for short-collection/non-collection of margins from clients in Equity and Currency Derivatives segments:

For each member	
'a'	Per day Penalty as %age of 'a'
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0

Where a = Short-collection/non-collection of margins per client per segment per day

2. If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.
3. If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.
4. Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in the index (close to close value of Nifty/Sensex for all equity derivatives) and in the underlying currency pair (close to close settlement price of currency futures, in case of all currency derivatives) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.
5. All instances of non-reporting shall amount to 100% short collection and the penalty as applicable shall be charged on these instances in respect of short collection.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

6. If during inspection it is found that a member has reported falsely the margin collected from clients, the member shall be penalized 100% of the falsely reported amount along with suspension of trading for 1 day in that segment.
7. The penalty shall be collected by the Stock Exchange within five days of the last working day of the trading month and credited to its Investor Protection Fund.
8. SEBI shall examine implementation of this circular during inspection of the Stock Exchange.
9. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
10. The circular shall come into force from September 1, 2011.
11. This circular is available on SEBI website at www.sebi.gov.in under the category "Derivatives- Circulars".

Yours faithfully,

Sujit Prasad
General Manager
Derivatives and New Products Department
022-2644-9460
sujitp@sebi.gov.in

NATIONAL SECURITIES CLEARING CORPORATION LIMITED
CURRENCY DERIVATIVES SEGMENT
Circular No. 310

Download No: NSE/CD/C&S/18740

August 29, 2011

Dear Members,

Sub: Client Margin Reporting

This circular is in continuation to our circular no. NSE/CD/C&S/18594 dated August 10, 2011 intimating SEBI circular CIR/DNPD/7/2011 dated August 10, 2011 and in partial modification of our circular no NSE/CD/C&S/17391 dated March 31, 2011.

With reference to point number 8 of the above mentioned circular no. NSE/CD/C&S/17391 members are hereby informed to take note of the details specified in the Annexure in view of the change in penalty structure as specified vide SEBI circular CIR/DNPD/7/2011 dated August 10, 2011.

The above circular shall be effective from the trade date September 01, 2011

Members are advised to take note of the same.

For any further clarifications please contact the following officials of the Clearing Corporation:

Mr. Abhijeet Sontakke, Mr. Onkar Phadnavis & Mr. Sharad Sharma

Phone Nos: 022-26598370

Fax: 022-26598242

Email: risk_group@nse.co.in

Yours Sincerely,

For National Securities Clearing Corporation Limited

Rana Usman

Asst. Vice President

rusman@nse.co.in

Annexure 1 :

1. The following penalty shall be levied in case of short reporting by trading/clearing member per instance

Short collection for each client	Penalty percentage
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5%
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0%

2. If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.
3. If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.
4. Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in any of the currency pair (USD-INR, EURO-INR, GBP-INR, JPY-INR) based on the close to close of the respective near month futures contract on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.
5. All instances of non-reporting are treated as 100% short reporting for the purpose of levy of penalty.
6. In case of short reporting by trading member the details of penalty at client/constituent level shall be provided as per the report PNL01 specified in Annexure 2. In case of short reporting by clearing member the details of penalty at trading member/constituent level shall be provided as per report PNL02 specified in Annexure 3.
7. The above penalties shall be collected from the clearing member by debiting the settlement account with designated primary clearing bank in Currency Derivatives Segment on daily basis. The details of penalty levied on the affiliated trading members shall be provided to clearing members as per report PNL03 specified in Annexure 3. The penalty shall be payable latest by the 5th of the subsequent month.
8. Letters for client margin penalty shall be downloaded to the members on CIM and also through extranet into their respective folders as being done currently. Other details with respect to reporting of margin collection shall continue to be applicable.

Annexure 2: Penalty reports for Trading Members

1. Detail penalty for short/ non-reporting by trading members

Naming convention: X_PNL01_<MEMBER CODE>_DDMMYYYY.CSV

Location: CDSFTP/X<MEMBER CODE>/ REPORTS/DNLD/PNL01

File details and format:

Trade Date

Client Code

Shortfall Amount

Penalty Amount

Annexure 3: Penalty reports for Clearing Members

1. Detail penalty for short/non reporting by clearing member

Naming convention: X_PNL02_<MEMBER CODE>_DDMMYYYYY.CSV

Location: CDSFTP/X<MEMBER CODE>/ REPORTS/DNLD/PNL02

File details and format:

Trade Date

TM Code/CP Code

Shortfall Amount

Penalty Amount

2. Penalty for short/ non-reporting by trading members affiliated to clearing member

Naming convention: X_PNL03_<MEMBER CODE>_DDMMYYYYY.CSV

Location: CDSFTP/X<MEMBER CODE>/ REPORTS/DNLD/PNL03

File details and format:

Trade Date

TM Code

Penalty Amount