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## POWER UPDATES

For the Fortnight April 16 to 30, 2008

Partnering in Compliance

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Process Re Engineering

Risk & Compliance Review

Training Initiative

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Circular no	Circular Title	Gist of the Circular
NSCC/CMP/484, dated April 16, 2008	Margining of institutional trades in the Cash Segment	<p>NSCC/CM/C&amp;S/404</p> <p>This has reference to referred circulars which detailed on all institutional trades in the Cash Segment would be margined on T+1 basis w.e.f. April 21, 2008</p> <p>The provision with respect to margining of institutional transactions in the capital market segment is enclosed as Annexure A. The above circular shall be effective from April 21, 2008</p> <p>Members and Custodians are advised to take note of the same.</p> <p>The procedure for computation, collection and release of various margins on the institutional trades confirmed by the custodians in the Cash Segment would be as follows :</p> <ol style="list-style-type: none"> <li>1. Levy of margins All institutional transactions shall be margined in the capital market segment from T+1 day subsequent to confirmation of the transactions by the custodians. In respect of institutional transactions confirmed by the custodians the margins shall be levied on the custodians In respect of institutional transactions rejected/not accepted by the custodians the margins shall be levied on the members who have executed the transactions The margins shall be computed and levied at a client (Custodial Participant code) level in respect of institutional transactions and collected from the custodians/members</li> <li>2. Types of margins levied As per SEBI circular SEBI/MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 following margins shall be levied for institutional transactions               <ol style="list-style-type: none"> <li>i. MTM (Mark To Market) Losses</li> <li>ii. VaR Margins</li> <li>iii. Extreme Loss Margins</li> </ol> </li> <li>3. Payment of margins Margin rates as applicable to the security at end of T+1 trading day shall be applied on all institutional trades. The computation, collection and release methodology of the margins shall be as per our circular no NSE/CMPT/6122 dated May 09, 2005 and NSE/CMPT/7565 dated June 09, 2006 The margins levied on the custodian shall be first adjusted from the collaterals provided by the custodians and the balance shall be collected from the settlement account. The custodians shall be permitted to provide following form of collaterals towards their margin requirements:               <ol style="list-style-type: none"> <li>i. Cash</li> <li>ii. Fixed Deposit Receipts from approved Banks</li> <li>iii. Bank Guarantees from approved Banks</li> <li>iv. Approved securities pledged in favour of NSCCL</li> </ol> </li> <li>4. Early pay-in of securities Custodians are requested to refer to our circular no NSE/CMPT/6511 dated August 11, 2005, NSE/CMPT/ 9191 dated July 19, 2007 and NSE/CMPT/10573 dated April 10, 2008 for the procedure of providing the collaterals to NSCCL</li> </ol>

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		<p>Custodians shall be provided a facility to make early pay-in of securities as currently provided to the members. In cases where early pay-in of securities is made, such positions for which early pay-in (EPI) of securities is made shall be exempt from margins. The procedure for the same has been detailed in our circular no NSE/CMPT/6481 dated August 05, 2005</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ The margins shall be computed and levied on institutional trades at client level and collected from the custodians/members.</li> <li>▪ Margins will be collected from the respective member brokers on T+1 day in case of trades not confirmed by the Custodians.</li> <li>▪ Members to build risk management system for T+1 date in case of DVP trades</li> </ul> <p><b>Previous Reference</b></p> <p>NSCC/CM/C&amp;S/337,  (NSE/CMPT/ 6122),May 9, 2005~ NSCCL/RMG/2008/0142,  (NSE/CMPT/10482),March 24,2008~ SEBI circular MRD/DoP/SE/Cir-06/2008,March 19, 2008~ NSE/CMPT/6122,May 09, 2005~ NSE/CMPT/7565,June 09, 2006~ SEBI/MRD/DoP/SE/Cir-07/2005 dated February 23, 2005~ NSE/CMPT/6511 August 11, 2005~ NSE/CMPT/ 9191,July 19, 2007~NSE/CMPT/10573,April 10, 2008~ NSE/CMPT/6481,August 05, 2005</p>
NSCCL/LEGAL/10595, dated April 16, 2008	Amendments to NSCCL Byelaws	<p>The provisions contained in NSCCL Byelaws are amended to the extent given hereunder:-</p> <p>(1) The following clause is inserted as Byelaw 4 in Chapter X of the Byelaws of NSCCL:- Quote 4.All claims, disputes or differences between the Participants and Clients arising out of transactions entered into under the Securities Lending and Borrowing Scheme or with reference to anything done in respect thereto or in pursuance of such transactions shall be referred to and decided by arbitration in accordance with the procedures as may be prescribed by the relevant authority from time to time. Unquote</p> <p>(2) The following clause is inserted as Byelaw 3 in Chapter XIII of the Byelaws of NSCCL:- Quote 3. The provisions of Byelaws, Rules, Regulations and Circulars issued thereunder by the Clearing Corporation shall be applied to the extent applicable or as may be prescribed by the Clearing Corporation from time to time for all transactions under the Securities Lending and Borrowing Scheme. Unquote</p> <p>(3) (i) The following clause is inserted as Byelaw 1(7) in Chapter XI of the Byelaws of NSCCL: Quote (7) he admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities under the Securities Lending and Borrowing Scheme; or Unquote (ii) As a consequence of the above amendment, the existing clause (7) of Byelaw 1 be renumbered as clause (8) of Byelaw 1 of chapter XI.</p> <p>(4) (i) The following definitions are inserted in the Definition Chapter of the Byelaws of NSCCL:- Quote APPROVED INTERMEDIARY "Approved Intermediary" means National Securities Clearing Corporation Limited registered with Securities and Exchange</p>

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		<p>Board of India as such under the Securities Lending Scheme, 1997.</p> <p><b>PARTICIPANT</b> “Participant” means a person registered as such with National Securities Clearing Corporation Limited for the purpose of securities lending and borrowing.</p> <p><b>SECURITIES LENDING AND BORROWING SCHEME</b> “Securities Lending and Borrowing Scheme” means a Scheme framed by National Securities Clearing Corporation Limited as an Approved Intermediary for facilitating securities lending and borrowing.</p> <p>Unquote (ii) As a consequence of the insertion of above definitions, all the definitions of Definitions Chapter are renumbered consecutively in alphabetical order. The above amendments come into force with immediate effect</p> <p><b>Implications</b> Amendments w.r.t SLBM function</p>
NSCCL/SLBS/2008/005, dated April 17, 2008	SECURITIES LENDING AND BORROWING SCHEME (SLBS)	<p><b>Transactions cleared and settled by Custodians</b></p> <ul style="list-style-type: none"> <li>▪ The Custodians are required to provide a minimum interest free deposit of Rs. 10 lakhs to NSCCL for meeting the obligations and liabilities of the Custodian on account of SLBS.</li> <li>▪ The deposit to be paid vide DD payable at Mumbai, favouring National Securities Clearing Corporation Ltd.</li> <li>▪ The custodian to open an account with CDSL for SLB settlement. Acknowledged copy of the undertaking letter addressed to CDSL as specified vide circular no. NSCCL/SLBS/2008/002 dated January 30, 2008 shall be provided to NSCCL.</li> <li>▪ The Custodians shall be required to take CP codes through NSCCL for those clients whose SLBS transactions they would clear and settle. Format for request letter- <b>Annexure 1.</b></li> <li>▪ Custodians shall be required to confirm CP code transactions of their clients by the specified time on the lending/ borrowing day.</li> </ul> <p>CP code modification:</p> <ul style="list-style-type: none"> <li>▪ CP code modification shall be allowed through file upload till 11:45 a.m on the transaction date (T day) File structure- <b>Annexure 2.</b></li> </ul> <p>Margins and other levies shall become applicable to the Custodians on confirmation of the transactions by the Custodians.</p> <p><b>Auto Delivery</b></p> <ul style="list-style-type: none"> <li>▪ Auto Delivery Out in NSDL: A facility has been provided to participants / custodians wherein the securities made available in the pool account shall be automatically utilized towards the pay-in obligations. The facility shall be provided only to such of those participants/custodians who have requested for the said facility. Participants/custodians wanting to avail this facility to send a letter to NSCCL in the format-<b>Annexure 3.</b></li> </ul> <p><b>Early pay-in of securities</b></p> <ul style="list-style-type: none"> <li>▪ Early pay-in of securities facility to avail margin benefits shall be made available to all participants/custodians. Participants/custodians can make early pay-in through either of the depositories viz. NSDL and CDSL. Participants/custodians making early pay-in of securities through CDSL need to open a separate SLBS EPI account. Early pay-in of security can be made for the first leg and reverse leg obligations. The format for application to open SLBS EPI</li> </ul>



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		<p>account for CDSL is enclosed as Annexure 4. The early pay-in received shall be allocated to the clients with delivery positions on a random basis.</p> <ul style="list-style-type: none"> <li>▪ Additionally, participants/custodians can specify the clients in respect of which early pay-in benefit should be provided. For client specific early pay-in an application may be made to NSCCL by way of a facsimile transmission as per the format in Annexure 5. On receipt of early pay-in of securities from depositories, the same shall be allocated to clients for whom the details have been provided.</li> </ul> <p><b>Securities pay-in shortages by the lender</b></p> <ul style="list-style-type: none"> <li>▪ Failure of the lender to deliver securities by the scheduled cut-off time on the settlement date shall result in close-out of the transactions at a rate as specified by the NSCCL from time to time.</li> </ul> <p><b>Close out rate for failure of lender to deliver:</b></p> <ul style="list-style-type: none"> <li>▪ In case of lender fails to deliver the security the transaction will be closed out at a price which shall be higher of: -25% of closing price of the security on T+1 day (closing price for the security in the capital market segment of NSEIL), or -(Maximum trade price of the security in the capital market segment of NSEIL from T to T+1 day) - (T+1 day closing price of the security in capital market segment of NSEIL)</li> </ul> <p><b>Security pay-in shortage by the borrower</b></p> <ul style="list-style-type: none"> <li>▪ In case the borrower of the securities fails to return the securities on T+8 day a buy in auction shall be conducted by NSCCL in the Capital Market segment of National Stock Exchange of India Limited (NSEIL) on the same day. All the members in the Capital Market segment of NSEIL shall be eligible to participate in the buy in auction. In the event of circumstances resulting in non-availability of securities in auction, such transactions would be financially closed-out at appropriate rates as declared by NSCCL from time to time.</li> </ul> <p><b>Close out in case of no offer in buy-in auction</b></p> <ul style="list-style-type: none"> <li>▪ In case non-availability of securities in auction, such transactions would be closed out at a price which shall be higher of: -The maximum traded price in the Capital Market segment of NSEIL from T+1 day to T+8 day, or -25% above the closing price of the security in the capital market segment on the T+8 day</li> </ul> <p><b>In the case of failure to give delivery in Auction Market</b></p> <ul style="list-style-type: none"> <li>▪ When the auction offeror fails to deliver in part or full on auction pay-in day (T+9 day), the deal will be closed out at a price which shall be higher of: -The maximum traded price in the Capital Market segment of NSEIL from T+1 day to T+8 day, or -25% above the closing price of the security in the capital market segment on the T+8 day</li> </ul> <p><b>Client direct payout facility:</b></p> <ul style="list-style-type: none"> <li>▪ The facility of crediting the payout of securities directly to clients account shall be made available to the participant/custodian. Participant/custodian are required to provide a file in the specified format containing details of the beneficiary accounts to which direct credit is to be given(if want to avail the said facility)File format to be uploaded - <b>Annexure 6.</b></li> </ul> <p><b>COLLATERAL DEPOSITS</b></p> <p><b>Collaterals by the participants/custodians</b></p> <ul style="list-style-type: none"> <li>▪ Participants may provide collateral in form of: I. Cash</li> </ul>

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		<p>II. Fixed Deposit Receipts (FDRs) issued by approved banks(<b>Annexure 7</b>) and deposited with NSCCL. (Formats of letters to be submitted-<b>Annexure 8 &amp; 9</b>).</p> <p>III. Bank Guarantee in favour of National Securities Clearing Corporation Ltd. from approved banks as per the format-<b>Annexure 10</b>. The list of approved banks for issuance of bank guarantee shall be intimated to the participants from time to time by NSCCL</p> <p><b>Guidelines for Submission of Collaterals</b></p> <p><b>Cash</b></p> <ul style="list-style-type: none"> <li>▪ Participants may submit deposit in the form of cash by making the required amount available in their respective clearing bank account and sending an authorization to NSCCL, by way of fax, for debiting the said amount from their clearing account. Format for the authorization letter-<b>Annexure 11</b>.</li> <li>▪ The benefit of such cash deposit requests shall be subject to receipt of bank confirmation with the correct details from the respective clearing bank by NSCCL.A participant who has authorised NSCCL to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfillment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as applicable to violations.</li> </ul> <p><b>Fixed Deposit Receipt</b></p> <p>Participants may furnish deposits in the form of FDR as mentioned above, subject to inter-alia, the compliance of the following:</p> <ol style="list-style-type: none"> <li>1. The FDR to be issued in favour of "NSCCL A/c PARTICIPANT NAME" and deposited with NSCCL.</li> <li>2. Participants are required to issue a letter to NSCCL agreeing that NSCCL has an irrevocable authority to encash the FDR and to withdraw the FDR amount (including accrued interest) at any time, even prior to maturity of FDR without notice to the participant, for recovery/adjustment of its dues. The formats of the letter-in <b>Annexure 8</b>.</li> <li>3. Participants are required to submit a letter from the bank issuing the FDR to NSCCL in the formats- <b>Annexure 9</b>.</li> <li>4. The minimum value of FDR that may be accepted shall be Rs.2 lakhs. The FDR should have a validity period of minimum 3 months.</li> <li>5. The FDR should be payable at any of the branches of approved banks situated in cities of: Mumbai, New Delhi, Chennai, Kolkata, Ahmedabad and Hyderabad. The list of approved banks-<b>Annexure 7</b>.</li> </ol> <p><b>Renewal of Fixed Deposit Receipt</b></p> <ul style="list-style-type: none"> <li>▪ In case of renewal of FDRs, the participants shall furnish the renewal documents strictly in the prescribed format. The format of the letter by the participant-<b>Annexure 8</b>. The format for letter to be given by the Bank-in case of renewal where there is change in FDR number-in <b>Annexure 12</b> and the format for letter to be given by the Bank in case of renewal where the FDR number is not changed-<b>Annexure 13</b>.</li> </ul> <p><b>Bank Guarantees</b></p> <ul style="list-style-type: none"> <li>▪ The acceptance of the bank guarantees by NSCCL shall be subject to the bank-wise and participant-wise limits as are stipulated from time to time. The maximum value of bank guarantees that can be given from the issuing bank per participant is as provided below:</li> </ul> <p><b>Net worth of the banks -Participant-wise limits</b></p> <p>Rs. 100 crores &lt;= NW &lt; Rs.500 crores-Rs 5 Crore          Rs. 500 crores &lt;= NW &lt; Rs.1000 crores -Rs 10 Crore          Rs. 1000 crores &lt;= NW &lt; Rs.2000 crores -Rs 15 Crore</p>

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		<p>Rs. 2000 crores &lt;= NW &lt; Rs.3000 crores-Rs 20 Crore NW &gt;= 3000 crores *-As per note given below *Over Rs. 3000 crores, for each Rs.1000 crores of net worth, an incremental limit of Rs.5 crores per participant is allowed.</p> <ul style="list-style-type: none"> <li>▪ Participants are advised to check their applicable limit before getting their bank guarantees issued. Additionally, at the time of deposit of the bank guarantee, the participant is required to ensure the following:               <ol style="list-style-type: none"> <li>1. The bank guarantee is strictly as per the format prescribed by the NSCCL-<b>Annexure 10</b>.</li> <li>2. The bank guarantee should have a validity period of minimum 3 months. In case the issuing bank does not provide for a specific claim period beyond the expiry date in the bank guarantee, the maturity period of such bank guarantee shall be reduced by 7 days, which would be considered as the claim period of the bank guarantee.</li> <li>3. While filling the details in a bank guarantee, participants to ensure:                   <ol style="list-style-type: none"> <li>a) No relevant portion is left blank</li> <li>b) All handwritten corrections and blanks are attested by the bank by affixing the bank seal / stamp duly authorised</li> <li>c) All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal / stamp duly authorised.</li> <li>d) Each page of the bank guarantee should bear the bank guarantee number, issue date, stamp of the bank and should be signed by at least two authorised signatories.</li> <li>e) The participant should also ensure that the bank guarantee is free from any discrepancy before the same is submitted to NSCCL.</li> <li>f) The stamp paper should be issued in the name of the participant or the bank, no third party stamp papers are permissible</li> <li>g) The stamp paper should not be older than six months from the executed date of the bank guarantee/ renewal.</li> </ol> </li> </ol> </li> <li>▪ The BG shall not be accepted by NSCCL if strictly not in conformity as per above specified conditions and benefit for the same shall be available only upon the bank guarantee being strictly in conformity with the prescribed requirements.</li> </ul> <p><b>Renewal of Bank guarantee</b></p> <ul style="list-style-type: none"> <li>▪ In case of renewal, the participants shall furnish the renewal document strictly in the prescribed format before the date of expiry / maturity date of the bank guarantee. The format for renewal-<b>Annexure 14</b>. The participants may also opt to give a fresh bank guarantee in favour of NSCCL instead of renewing the expired BGs.</li> </ul> <p><b>Reminder Letters through extranet</b></p> <ul style="list-style-type: none"> <li>▪ Reminder letters shall be downloaded on a monthly basis through the extranet in respect of the BGs and FDs those are due for renewal in the following month. The participants shall be responsible for the renewal of Bank Guarantee and fixed deposit receipts expiring in the month.</li> </ul> <p><b>Release of Collaterals</b></p> <ul style="list-style-type: none"> <li>▪ Participant may request NSCCL to release collateral held by them. Such requests may be considered, if NSCCL chooses not to exercise its lien and subject to availability after due adjustments for the due fulfillment of all obligations and liabilities arising out of or incidental to any transactions entered into by such participant and subject to the agreement between NSCCL and Participant or anything done in pursuance thereof, or as per circulars issued by NSCCL from time to time.</li> <li>▪ Participant may send the request for release of collaterals to NSCCL by way of fax. The formats for request for release of collaterals -<b>Annexure 15, 16 &amp; 17</b>.</li> </ul>

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		<p><b>Collection of released collaterals submitted to NSCCL</b></p> <ul style="list-style-type: none"> <li>▪ The representative of the participants coming to collect released FDR/ BG is required to carry an authorization letter. The released FDRs/ BGs can be collected on the next working day of the release.</li> </ul> <p><b>Detailed Collateral Report</b></p> <ul style="list-style-type: none"> <li>▪ Statement of Breakup of collateral of participant with NSCCL shall be downloaded to Participants. Details of the report are provided in <b>Annex-19</b>.</li> </ul> <p><b>POSITION LIMITS</b></p> <p><b>Market Wide Position Limits (MWPL) for SLBS transactions:</b></p> <ul style="list-style-type: none"> <li>▪ MWPL for SLBS transactions shall be 10% of the free-float capital of the company in terms of number of shares i.e. 10% of the number of shares held by non-promoters in the relevant security.</li> <li>▪ NSCCL shall specify the market wide position limits on the last trading day of the month for during the next month.</li> <li>▪ The market wide position limit shall be monitored on the combined position across exchanges.</li> <li>▪ Violation of such limits shall attract action as specified by NSCCL from time to time.</li> </ul> <p><b>Participant wise Position Limits for SLBS transactions:</b></p> <ul style="list-style-type: none"> <li>▪ The Participant position limits in a security shall be lower of: -10% of the market-wide position limits (in terms of number of shares) or -Rs. 50 crores</li> <li>▪ NSCCL shall specify the Participant wise position limits on the last trading day of the month which shall be reckoned for this purpose during the next month.</li> <li>▪ Violation of such limits shall attract action as specified NSCCL from time to time.</li> </ul> <p><b>FII/MF Position limits</b></p> <ul style="list-style-type: none"> <li>▪ The position limits applicable for Foreign Institutional Investor (FII), Mutual Funds (MF) shall be same as of a Participant i.e. lower of 10% of the market-wide position limits or Rs. 50 crore.</li> <li>▪ Violation of such limits shall attract action as specified by NSCCL from time to time.</li> </ul> <p><b>Client Level Position Limits</b></p> <ul style="list-style-type: none"> <li>▪ The client level position limits for a security for each specific client shall not be more than 1% of the market-wide position limits.</li> <li>▪ NSCCL shall specify the client wise position limits on the last trading day of the month which shall be reckoned for this purpose during the next month.</li> </ul> <p><b>Unique Client ID Position Monitoring</b></p> <ul style="list-style-type: none"> <li>▪ The client level positions limits shall be monitored at the unique client code level based on the unique client ID allotted by the NSCCL to the Participants.</li> <li>▪ The client level position limits shall be applicable on the combined positions for the same clients transacting through different Participants, as well.</li> <li>▪ Participants shall ensure that client-level position limits are kept within the permissible limits. In the event of a violation, the Participant shall be required to ensure that the client does not take fresh positions.</li> <li>▪ Violation of such limits shall attract action as specified by NSCCL from time to time.</li> </ul> <p><b>TRANSACTION REPORT</b></p>

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		<ul style="list-style-type: none"> <li>▪ A consolidated transaction report will be given to participants on the extranet server. The compressed file for the transaction date is placed in the '\slbftp\Onlinebackup' folder, with file name SLBM_ddmmyyyy_TMcode.txt.gz.</li> </ul> <p><b>DEALINGS WITH CLIENTS</b></p> <p><b>Confirmation memos</b></p> <ul style="list-style-type: none"> <li>▪ Participants to issue confirmation memos as per the format specified-<b>Annexure 18</b>, for all the transactions executed on order matching platform, on the date of transaction and maintain proof of delivery of the same to the clients.</li> <li>▪ Confirmation memos may also be issued in digital format with the consent of the client. It should be in encrypted, non tamperable format and digitally signed as per the IT Act, 2000 and shall be delivered to the email id provided by the client. Further, logs of the same should be preserved.</li> </ul> <p><b>Funds and Securities:</b></p> <p><b>Client's Funds and Securities:-</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall route clients' funds / securities through client bank / constituents demat account only. Clients' funds / securities shall be used for the purpose of respective clients only.</li> </ul> <p><b>Receipt and delivery of Securities</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall ensure that securities are received from / delivered to the respective clients' demat accounts only.</li> </ul> <p><b>Receipt and Payment of Funds</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall ensure that funds shall be received from / paid to the respective clients' bank accounts only. Further, receipt and payment of funds should be made by account payee crossed cheques / demand drafts or by way of direct credit in to the bank account through EFT or any other mode allowed by RBI.</li> </ul> <p><b>Quarterly Statement of accounts for funds and securities</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall send complete statement of accounts for both funds and securities in respect of each of its clients in such periodicity not exceeding three months (calendar quarter) within a month of the expiry of the quarter. The statement shall also state that the client shall report errors, if any, in the statement within thirty days of receipt thereof, to the participant.</li> </ul> <p><b>Books of accounts, Records and Documents</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall maintain and preserve books of account, records and registers separately as may be necessary and make them available to NSCCL as and when required.</li> </ul> <p><b>Processing Charges</b></p> <ul style="list-style-type: none"> <li>▪ Participants shall charge processing charges within the limit as may be prescribed by NSCCL / SEBI from time to time.</li> </ul> <p>Annexure: Annexure 1- A. FORMAT OF APPLICATION FOR ALLOTMENT OF CUSTODIAN PARTICIPANT CODE FOR NRI CLIENTS(to be given by the Custodian on the letter head) B. FORMAT OF APPLICATION FOR ALLOTMENT OF CUSTODIAN PARTICIPANT CODE FOR FII/MF CLIENTS(to be given by the Custodian on the letter head) C. FORMAT OF APPLICATION FOR ALLOTMENT OF CUSTODIAN PARTICIPANT CODE FOR RI/DBC(to be given by the Custodian on the letter head)</p> <p>Annexure 2-CP Code modification File/ CP Code Modification Return File</p>

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		<p>Annexure 3-Letter format for Auto Pay-in – Auto Delivery Out</p> <p>Annexure 4-Format of letter from Participants/Custodians for opening SLBS EPI account for CDSL</p> <p>Annexure 5-Format of letter for the application for Client level early pay-in for SLBS(on the letter head of the Participant/Custodian)</p> <p>Annexure 6-File structure for Direct Payout to Client</p> <p>Annexure 7-List of Approved Banks for issuance of Fixed Deposit Receipts</p> <p>Annexure 8-(on the letter head of the participant)-Format of Letter to be given by the Participant along with FDR to Approved Intermediary towards Collateral</p> <p>Annexure 9-(on the letter head of the bank)Format of Letter to be given by the Bank issuing FDR to Approved Intermediary towards Collateral</p> <p>Annexure 10-Format of Bank Guarantee to be provided to Approved Intermediary</p> <p>Annexure 11-Format of the Letter to be given by the Participant for providing Cash(To be typed on Participant’s letter head)</p> <p>Annexure 12-Format of The Letter to be Given by the Bank issuing the FDR to Approved Intermediary on Renewal (In case of Auto renewal where the Old FDR No. is changed)</p> <p>Annexure 13-Format of the Letter to be given by the Bank issuing the FDR to Approved Intermediary on Renewal (In case of Auto-renewal where the old FDR No. is same)</p> <p>Annexure 14-Format of Renewal of Bank Guarantee to be provided to Approved Intermediary</p> <p>Annexure 15-Format for Request for Release of Cash (To be typed on participant’s letter head)</p> <p>Annexure 16-Format for Request of Release of Fixed Deposit Receipt (To be typed on participant’s letter head)</p> <p>Annexure 17Format for Request for Release of Bank Guarantee(To be typed on participant’s letter head)</p> <p>Annexure 18-confirmation memo</p> <p>Annexure 19;</p> <ol style="list-style-type: none"> <li>1.Collateral Break up Report</li> <li>2. In-eligible / Eligible Securities report</li> <li>3. Consolidated Margin Report</li> </ol> <p><b>Implications</b></p> <p>Members to ensure back office changes with reference to:</p> <ul style="list-style-type: none"> <li>-Operations and settlement of first leg and reverse leg, Risk management on MTM and position monitoring, Collateral management and Reporting to exchanges and interface with exchanges</li> </ul> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Dep/Cir-14/2007,dated December 20, 2007~MRD/DoP/SE/Cir-05/2008, dated March 19, 2008 ~ NSCCL/SLBS/2008/001, dated January 25, 2008~NSCCL/SLBS/2008/002, January 30, 2008 ~ NSCCL/SLBS/2008/003 dated March 24, 2008</p>
NSE/CMTR/023/2008, dated April	Short Selling of Securities	Members are mandated to disclose scrip wise short sell positions to the Exchange. Further April 21, 2008 was mandated as implementation date for the above.

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Circular no	Circular Title	Gist of the Circular
17, 2008		<p>Exchange had issued circular no. NSE/CMTR/006/2008 (Download No. NSE/CMTR/10161) dated January 30, 2008 regarding a facility to trading members to upload short sell information through Electronic NSE Interface (ENIT).                      Members have represented to the Exchange that the file upload facility is required for the same. In view of same, Exchange has decided to provide file upload facility for reporting Short Selling of Securities.                      The detail procedure for reporting short selling is provided in Annexure 1.</p> <ul style="list-style-type: none"> <li>▪ Member is required to enter the short sell details security wise at the client level.</li> <li>▪ All the fields (symbol, series, trading date, quantity and client code) are mandatory.</li> <li>▪ The securities traded in F&amp;O segment of the Exchange shall be eligible for short selling.</li> <li>▪ Member can submit 10 records at a time</li> </ul> <p><b>Implications</b></p> <p>CSV file for upload provided to facilitate short sell reporting</p> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Dep/Cir-14/2007,December 20, 2007~ MRD/DoP/SE/Cir- 05 /2008,March 19, 2008</p>
NSCCL/SLBM/2008/005, dated April 17, 2008	Introduction of Securities Lending and Borrowing Scheme	<ul style="list-style-type: none"> <li>▪ With Reference SEBI guidelines outlining a facility to allow Stock Exchanges to provide a mechanism for SLB and enabling implementation of (SLBS) by April 21,2008</li> <li>▪ Exchange shall provide an automated, screen based, order matching platform to the Participant to execute lending and borrowing transactions.</li> <li>▪ Details of the order matching platform being provided for SLBS transactions are enclosed as Annexure 1.</li> </ul> <p>Installation Procedure for NEAT SLBM</p> <p><b>InstallationProcedure:</b></p> <ul style="list-style-type: none"> <li>▪ Installation files shall be available after 6:00 p.m., Thursday, April 17, 2008.</li> <li>▪ Installation files can be taken from path:\slbftp\slbcommon\NTNEAT on NSE Extranet or internet <a href="ftp://203.199.75.110">ftp://203.199.75.110</a></li> <li>▪ Go to MSDOS prompt</li> <li>▪ Execute command: cd C:\</li> <li>▪ Type slbneattdr.bat and press "enter"</li> <li>▪ Set up the NEATSLB icon on the Desk top and click on the icon.</li> </ul> <p><b>Updating the version with latest data:</b></p> <ul style="list-style-type: none"> <li>▪ Download following files from NSE Extranet path :\slbftp\slbcommon\NTNEAT onto (C :\) in your local hard disk:</li> <li>▪ security_slb.gz</li> <li>▪ participant_slb.gz</li> <li>▪ security.gz</li> <li>▪ Unzip the above files</li> <li>▪ From the log on screen click on the "LOAD_DB" button to update the security and participant details.</li> </ul> <p><b>Implications</b></p> <p>To facilitate implementation of SLBS the exchange has provided an automated screen based order matching platform order matching platform to participants for executing orders.                      Participants to make necessary amendments to their front and back office. The installation procedure for NEAT SLBM is enclosed</p>

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Circular no	Circular Title	Gist of the Circular
		in Annexure 1 of the circular.
		<b>Previous Reference</b>
		MRD/DoP/SE/DEP/Cir-14/2003 dated, December 20, 2007~. MRD/DoP/SE/Cir- 05 /2008 dated, March 19, 2008
NSCCL/RMG /2008/185, dated April 17, 2008	Comprehensive Risk Management	<p>Reference is drawn to SEBI circular Nos. MRD/DoP/SE/Cir-10/2008 dated April 17, 2008 and MRD/DoP/SE/Cir-07/2005 and MRD/DoP/SE/Cir-06/2008 dated February 23, 2005 and March 19, 2008 on the comprehensive risk management for the cash market and margining of institutional trades in the cash market respectively.</p> <p>2. In continuation of the above, the stock exchanges are advised to implement the following:-</p> <ol style="list-style-type: none"> <li>As regards the transactions executed on behalf of institutional clients in the cash market, it shall be permissible to maintain their entire margin in the form of approved securities with appropriate haircuts as specified in the aforesaid SEBI circular dated February 23,2005.</li> <li>Necessary systems shall be put in place to enable early pay-in of funds. In cases where early pay-in of funds is made by the members, the outstanding position to that extent of early pay-in shall not be considered for computing the margin obligations.</li> <li>Necessary systems shall be put in place so as to enable adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ol> <p>Annexure-SEBI Circular</p> <p><b>Implications</b></p> <p>The Early pay in of funds format to be interfaced with back office Comprehensive risk management framework on institutional margin systems where :</p> <ul style="list-style-type: none"> <li>▪ Margins will be reduced to the extent of early pay in of funds</li> <li>▪ Margin can be in the form of approved securities with appropriate haircuts</li> <li>▪ Adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ul> <p>The above should relatively ease out the institutional concerns on margin requirements and issues of FIIs required to bear an increased Foreign exchange (forex) risk as FIIs are subject to regulatory restrictions for borrowing locally thereby putting them at a disadvantage vis a vis the retail investor who can borrow funds to pay margins.</p> <p>Further Members to create a blue print of impact on front and back office software on account of above expected changes</p> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-07/2005, February 23 2005 ~ MRD/DoP/SE/Cir-06/2008, March 19 2008~ MRD/DoP/SE/Cir-10/2008 dated April 17, 2008</p>
NSCC/CM/C&S/ 405, dated April 17, 2008	Early Pay in of Funds	<p>Members and Custodians are informed that a facility for making early pay-in of funds is being provided by the Clearing Corporation-Annexure 1. to avail margin exemption in respect of early pay-in of funds provided by them.</p> <p><b>Procedure for early pay-in of funds:</b></p> <ol style="list-style-type: none"> <li>Members/Custodians to provide the client details for whom early pay-in benefit is to be provided through a file upload as per Annexure 2.</li> <li>The file to be uploaded using the menu 'Funds early pay-in' provided in 'Collateral Interface for Members (CIM)'- an online facility provided to Members/Custodians.</li> <li>Benefit for early pay-in of funds only for those clients for whom the details are provided by the member/ custodian</li> </ol>

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Circular no	Circular Title	Gist of the Circular
		<p>subject to funds confirmation from the respective clearing bank of the member/custodian.</p> <ol style="list-style-type: none"> <li>4. The total amount of early pay-in summed across all the clients as provided in the file by the member/custodian shall be collected as early pay-in of funds from the settlement account of the member/custodian.</li> <li>5. Member/custodian shall be allowed to change the amount allocated to a client. If member/custodian wants to change the amount of early pay-in of funds once allocated to a client, the member/custodian shall provide the full details of all clients with the revised amount in the next file. With the submission of the revised full file, the file submitted earlier would be ignored and not considered for allocation.</li> <li>6. Early pay-in of funds specified by the member/custodians for a specific client and for a settlement shall be allocated against the securities in the descending order of the net buy value of outstanding position of the client.</li> <li>7. Early pay-in of funds provided by the member/custodians shall be adjusted against the settlement obligation of the member/custodians in the respective settlement.</li> </ol> <p><b>Annexure 2</b>  <b>Format of files (CSV) to be uploaded by the member/custodian giving client wise details of early pay-in of funds -enclosed in the circular</b>                      In case the file uploaded by the member gets rejected, then the file extension 'Tnn' will get replaced with 'Rnn' and the return file will be downloaded to the members in CEP directory in extranet. The control record in the file will have R appended.                      The naming convention for return files will be:                      &lt;XXXXX&gt;_CLNTEPF_N_XXXXXXXX_YYYYMMDD.Rnn                      In case the file is accepted (success) then the file extension 'Tnn' will get replaced with 'Snn' and the return file will be downloaded to the members in CEP directory in extranet. The return file with extension 'Snn' will have S appended for successful records and R appended for rejected records.                      The naming convention for return files will be:                      &lt;XXXXX&gt;_CLNTEPF_N_XXXXXXXX_YYYYMMDD.Snn</p> <p><b>Implications</b>                      Early pay in file format. Facility of allocation of funds to client and revision of allocation. Adjustment of early pay in with settlement obligation.</p> <p><b>Previous Reference</b>                      NSCC/CM/C&amp;S/337  (NSE/CMPT/6122),May 09, 2005                      NSCC/CM/C&amp;S/404  (Download no NSE/CMPT/10584),April 16, 2008</p>
NSE/INSP/2008/66, dated April 21, 2008	Collateral deposited by clients with members	<p>Members to note SEBI circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 regarding collateral deposited by clients with members. Members are advised to strictly comply with the provisions of the circular.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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 :-</li> </ol>

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		<p>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.</p> <p>2.2 Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-</p> <ol style="list-style-type: none"> <li>Receipt of collateral from client and acknowledgement issued to client on receipt of collateral</li> <li>Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin</li> <li>Record of deposit of collateral with exchange / clearing corporation / clearing house</li> <li>Record of return of collateral to client</li> <li>Credit of corporate action benefits to clients</li> </ol> <p>2.3 The records should be periodically reconciled with the actual collateral deposited with the broker.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Annexure-SEBI Circular</p>
		<p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Finally, after years a complete clarity on deposit of client collateral with exchange, this would be one of the most welcome clarifications as on client approval, the collateral can be deposited with exchange.</li> <li>▪ The clients too would welcome the scenario especially for brokers who did not have own portfolio currently insisted on cash margin, now can accept margin requirements in the form of collateral.</li> <li>▪ Further it also encourages brokers to insist on only approved securities, thus leading to healthier risk management</li> </ul> <p>However the most important underlying on the entire scenario is maintenance of seamless system with complete audit trails as defined in the circular.</p>
		<p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-11/2008, April 17, 2008</p>

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20080415-10, dated April 15, 2008	Revised File structure for Securities Lending & Borrowing	<p>This has ref to the Notice No. 20080123-39 dated 23<sup>rd</sup> January 2008, Trading members of the Exchange are hereby informed that compared to Notice uploaded on 23<sup>rd</sup> January regarding SLB File Formats, there have been some revision in the system file formats for SLBS:</p> <p>The File / Report format details of various segment in our SLB Trading system are given below:</p>

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	Scheme (SLBS)	<p>Annexure A:</p> <p>SLB Files from DLOAD</p> <ul style="list-style-type: none"> <li>▪ Incremental scripmaster</li> <li>▪ Incremental detailed scripmaster</li> <li>▪ Upper Lower circuit limit files</li> <li>▪ ISIN scripmaster</li> <li>▪ Winprint file formats</li> <li>▪ Scripmaster file</li> </ul> <p>Annexure B:</p> <p>SLB Front-end Files (Downloadable to Members / Custodian / Admin Terminal/ Clearing House/ Banks)</p> <ul style="list-style-type: none"> <li>▪ 6A/7A Batch Entry(*.SB67)</li> <li>▪ 6A7A Records File for Members</li> <li>▪ ScripWise/Clientwise Position File (*.SSCP)</li> <li>▪ Clientwise/ScripWise Position File (*.SCSP)</li> <li>▪ Touchline Save File(*.SSAV)</li> <li>▪ Quarterly Statistics Save File(*.shrs)</li> <li>▪ TWS User Registration ( Trader 1 Only)</li> <li>▪ Order Batch Submission File(*.SDOT)</li> <li>▪ Pending Orders File(*.SPND)</li> <li>▪ Returned Orders File(*.SDOT)</li> <li>▪ Fully Executed Orders File(*.SORD)</li> <li>▪ Trades File</li> <li>▪ Order Log(SOr*.*)</li> <li>▪ Consolidated Order Log</li> <li>▪ Client Rectification Log:</li> <li>▪ Institution ID Rectification Log:</li> <li>▪ Broker Query File (Trader 1 Only)( BRddmmyy.SBIN)</li> <li>▪ Batch Entry of Auction File (For Buy In &amp; Borrow )(*.SOFF)</li> <li>▪ Report Download of Auction Trading</li> </ul> <p><b>Custodian, Admin Files and Clearing House files</b></p> <p><b>Bank collateral Details</b></p> <p><b>ANNEXURE - C</b></p> <p><b>Reports From Clearing House</b></p> <ul style="list-style-type: none"> <li>▪ Delivery Memberwise Shortages</li> <li>▪ Receiving Memberwise Shortages</li> <li>▪ Direct payout</li> <li>▪ Direct Payin</li> <li>▪ Auction File to Members</li> </ul>

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Circular no	Circular Title	Gist of the Circular
		<ul style="list-style-type: none"> <li>▪ Receiving Shortages</li> <li>▪ Auction Pay-out</li> <li>▪ End of Day File</li> <li>▪ Early Payin File</li> </ul> <p><b>ANNEXURE - D</b> <b>Settlement File And Reports</b></p> <ul style="list-style-type: none"> <li>▪ Money Statement File</li> <li>▪ Open Position File</li> <li>▪ Delivery Statement File</li> <li>▪ Order File</li> <li>▪ Daily Margin File</li> <li>▪ Summary of SLB Margins</li> <li>▪ Summary of daily margin for SLB (excluding var &amp; elm)</li> <li>▪ Summary of liquid assets for SLB - Available, Blocked, Balance</li> <li>▪ VAR/ELM (DAT file)</li> <li>▪ VAR/ELM (Report file)</li> <li>▪ Closing price file</li> <li>▪ UCC penalty report</li> <li>▪ Balance Sheet</li> <li>▪ 25% Collateral Blocked file</li> </ul> <p><b>ANNEXURE - E</b> <b>UCC Reports</b></p> <p><b>Implications</b></p> <p>Important circular with reference to file formats and interfaces required with back offices. The exchange circular on settlement files and reports have been illustrated with examples</p> <p><b>Previous Reference</b></p> <p>20080123-39, 23rd January 2008</p>
20080416-15, dated April 16, 2008	Margining of institutional trades in the Cash Segment	<p>This has reference to referred circulars which detailed on all institutional trades in the Cash Segment would be margined on T+1 basis w.e.f. April 21, 2008</p> <p>The procedure for computation, collection and release of various margins on the institutional trades confirmed by the custodians in the Cash <b>Segment would</b> be as follows :</p> <p><b>Composition of Capital (Liquid Assets) :</b></p> <ul style="list-style-type: none"> <li>▪ <b>The custodians may deposit collateral (Liquid Assets) in form and composition as applicable to the trading members in the Cash Segment</b> as prescribed in the exchange notice no. 20050513-26 dated May 13, 2005, and from time to time thereafter.</li> </ul> <p><b>Types of margins :</b></p> <ul style="list-style-type: none"> <li>▪ <b>VaR Margin and Extreme Loss Margin (ELM) :</b> <ul style="list-style-type: none"> <li>✓ VaR margin and ELM rates as applicable to the securities in the Cash Segment of BSE at end of T+1 day shall be</li> </ul> </li> </ul>

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		<p>applied on all institutional trades executed on T day and confirmed by custodians by <b>the stipulated time on T+1 day.</b></p> <ul style="list-style-type: none"> <li>✓ <b>Such VaR</b> margin and ELM shall be collected on T+1 day first by adjusting against the collateral of the custodians deposited with the Exchange and the balance, if any, in form of cash from the custodians through their clearing banks on the same day.</li> <li>✓ The methodology of computation, collection and release of VaR margin and ELM shall be as prescribed in the Exchange notice no. 20050513-26 <b>dated May 13, 2005, and from time to time thereafter.</b></li> <li>✓ The VaR margin rates shall be available on the website of BSE. The rates can also be downloaded with “Dload” facility provided by the Exchange.</li> </ul> <ul style="list-style-type: none"> <li>▪ <b>Mark to Market Margin (MTM) :</b> <ul style="list-style-type: none"> <li>✓ The mark to market margin (MTM) on T day’s trades will be computed after trading hours on T+1 day on the basis of T+1 day’s closing price.</li> <li>✓ The methodology of computation, collection and release of VaR margin and ELM margin shall be as prescribed in the Exchange notice no. 20050513-26 dated May 13, 2005, and from time to time thereafter.</li> </ul> </li> <li>▪ <b>The above margins shall be computed and levied on institutional trades at client (based on the details entered and confirmed in trade confirmation module) level and collected from the custodians/members.</b></li> <li>▪ <b>Members may note that in case of trades not confirmed by the Custodians</b> then the aforesaid margins will be collected from the respective member brokers on T+1 day.</li> </ul> <p>Release of margins :</p> <ul style="list-style-type: none"> <li>▪ The above-referred margins so collected will be released on completion of pay-in of the respective settlement.</li> </ul> <p>Exemption from margins.</p> <ul style="list-style-type: none"> <li>▪ Exemption from margins shall be available against early pay-in of respective securities.</li> </ul> <p>Early pay-in facility:</p> <ul style="list-style-type: none"> <li>▪ For early pay-in of securities the procedure as mentioned in the Exchange Notice no. 20050513-26 dated May 13, 2005, is to be followed.</li> <li>▪ The file for early pay-in of securities should be uploaded by the custodians through the network. The custodians should ensure that the details are entered correctly and the file is in the specified format. Also the incremental number should be checked thoroughly before uploading or else previous file of the custodians may be overwritten. The details in the file will be matched against the transaction files received from CDSL and NSDL. Only the matched records will be uploaded for Early Pay-In.</li> </ul>
		<p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ The <b>Early pay in</b> format to be interfaced with back office</li> <li>▪ <b>The margins shall be computed and levied on institutional trades at client level and collected from the custodians/members.</b></li> <li>▪ Margins will be collected from the respective member brokers on T+1 day <b>in case of trades not confirmed by the Custodians.</b></li> <li>▪ Members to build risk management system for T+1 date in case of DVP trades</li> </ul>
		<p><b>Previous Reference</b></p>

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Circular no	Circular Title	Gist of the Circular
		20080324-33, March 24 2008~MRD/DoP/SE/Cir-06/2008, March 19 2008, 20050513-26, May 13 2005
20080417-24, dated April 17, 2008	DIRECT MARKET ACCESS FACILITY	<p>SEBI has approved providing Direct Market Access (DMA) facility w.r.t MRD/DoP/SE/Cir-7/2008 dated April 03, 2008 (copy of which is enclosed as Annexure - 1).</p> <p>Direct Market Access (DMA) facility through Computer to Computer Link (CTCL) allows members to provide direct trading terminals to clients through various connectivity modes. Direct Market Access (DMA) is used to describe clients / investor accessing the market directly using CTCL software of a trading member and routing the orders through the trading member's infrastructure.</p> <p>Members seeking permission for offering Direct Market Access (DMA) are required to ensure compliance with the minimum conditions specified in the SEBI circular.</p> <ul style="list-style-type: none"> <li>▪ <b>Application for permission-for availing DMA facility:</b> Members to make an application to the Exchange. The format of the application is provided-Annexure II.</li> </ul> <p><b>Eligibility:</b> Only to institutional clients as specified in SEBI circular.</p> <ul style="list-style-type: none"> <li>▪ <b>Member-client agreement:</b> Members to execute an agreement with such clients who are availing the DMA facility. The model agreement will be provided separately. Members to ensure that the agreement for DMA facility should not have any clause that is less stringent/contrary to the conditions in the proposed model agreement.</li> <li>▪ <b>Procedures for granting permission for Direct Market Access (DMA):</b> The Exchange shall grant permission to members for Direct Market Access (DMA) on a case-by-case basis. Members are required to test on the BSE trading test environment during a pre-specified time. On satisfactory completion of testing, the member is required to give comprehensive demonstration of their Direct Market Access (DMA) facility to the Exchange. On fulfillment of the conditions as satisfactory and meeting SEBI / Exchange minimum requirements, the Exchange would grant permission to the member to commence DMA. The software and systems proposed for DMA shall be duly certified by the Exchange empanelled Security Auditor before grant of permission.</li> </ul> <p><b>DMA user Details</b> Member to provide the Exchange with details of user-ids activated for DMA on a periodic basis as per format which shall be intimated separately. All requirements as stated in SEBI circular number MRD/DoP/SE/Cir-7/2008 dated April 03, 2008 to be fully complied with including the requirements on operational specifications and risk management.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Members to ensure compliance with requirements as stated by Regulatory authority in order to provide Direct Market Access to clients.</li> <li>▪ Members are required to put in place appropriate systems and control mechanisms and seek prior approval from exchange to</li> </ul>

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Circular no	Circular Title	Gist of the Circular
		<p>provide Direct Market Access facility.</p> <ul style="list-style-type: none"> <li>Members to review vendors available for DMA functionality and to ensure better order management services to institutional client base</li> </ul>
		<p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-7/2008 , April 03 2008</p>
20080417-23, dated April 17, 2008	BOISL NOTICE - SECURITIES LENDING AND BORROWING SCHEME (SLBS)	<ul style="list-style-type: none"> <li>Reference is drawn to BOISL's circular - 20080128-3, dated January 28, 2008 and 20080130-38 dated January 30, 2008 regarding the SLBS, all Members/Custodians of BSE. are further notified of the following with respect to SLBS:</li> </ul> <p><b>Transactions cleared and settled by Custodians</b></p> <ul style="list-style-type: none"> <li>Members will be allowed to enter the 6A 7A entry for custodian confirmation up to 1.30 p.m. on the lending/borrowing day (T day).</li> <li>The Custodians will be required to confirm the 6A 7A entries by 2.00 p.m. on the same day.</li> <li>The Custodians shall be required to provide a Base Minimum Capital of Rs.10 lacs for meeting the obligations and liabilities of the Custodian on account of SLBS for transactions is input by members in SLBS are being cleared and settled by Custodians. The deposit should be by way of cash and cash equivalent, favouring BSE.</li> <li>The custodians will open a POOL/Principal account with CDSL DP and Pool account in NSDL.</li> <li>The provision to use the existing accounts in Cash Segment for SLB settlement purposes may be examined at the Depository level.</li> <li>The details of these accounts along with the client master copies should be forwarded to BOISL.</li> <li>The Custodians will require CP codes from BOISL, for those clients whose SLBS transactions they would clear and settle. BOISL shall allot a CP code and intimate the same to the Custodian.</li> <li>Margins and other levies shall become applicable to the Custodians on confirmation of the transactions by the Custodians.</li> </ul> <p><b>Auto Delivery</b></p> <ul style="list-style-type: none"> <li>Auto Delivery Out facility has been provided to members/custodians wherein the securities available in the principal/pool account of CDSL/NSDL will be utilized towards the pay-in delivery obligations for members/custodian who have requested for the said facility. Members/custodians desirous of availing this facility shall send a letter to BOISL..</li> </ul> <p><b>Early pay-in of securities</b></p> <ul style="list-style-type: none"> <li>Early pay-in of securities facility to avail margin benefits shall be made available to all members/custodians. Members/custodians can make early pay-in through either of the depositories viz. NSDL and CDSL. Members/custodians desirous of making early pay-in of securities through CDSL need to transfer the securities in a separate account no. <b>110000240000011</b> opened for the purpose by BOISL in CDSL. While in NSDL the Members/Custodians need to give irreversible delivery out in their POOL account. Early pay-in of security can be made for the first leg and reverse leg obligations.</li> </ul> <p><b>Close out rate in case lender fails to deliver:</b></p> <ul style="list-style-type: none"> <li>In case lender fails to deliver, the transaction will be closed out at a price, which shall be higher of:</li> <li>25% of closing price of the security on T+1 day (closing price of the security in the Cash segment of BSEOr</li> <li>The difference between the maximum traded price of the security in the Cash segment of BSE on T and T+1 day and the closing price of the security on the T+1 day in the Cash segment of BSE</li> </ul>



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		<p><b>Close out rate in case No Offer is received in Buy-in auction, when borrower fails to return</b></p> <ul style="list-style-type: none"> <li>▪ In case of borrower fails to return the securities and in case of non-availability of securities in buy-in auction, such transactions would be closed out at a price which shall be higher of:                             <ul style="list-style-type: none"> <li>▪ The maximum traded price in the Cash segment of BSE from T+1 day to T+8 day, <span style="float: right;">Or</span></li> <li>▪ 25% above the closing price of the security in the Cash segment of BSE on the T+8 day</li> </ul> </li> <li>▪ <b>In the case of failure to give delivery in Auction Market</b></li> <li>▪ When the auction offer or fails to deliver in part or full on auction pay-in day (T+9 day), the transaction will be closed out at a price, which shall be higher of:                             <ul style="list-style-type: none"> <li>▪ The maximum traded price in the Cash segment of BSE from T+1 day to T+8 day, <span style="float: right;">Or</span></li> <li>▪ 25% above the closing price of the security in the Cash segment of BSE on the T+8 day</li> </ul> </li> </ul> <p><b>Client direct payout facility:</b></p> <ul style="list-style-type: none"> <li>▪ The facility of crediting the payout of securities directly to the member's/custodian's client account shall be made available. In order to avail of this facility, members / custodians are required to provide a file in the specified format containing details of the beneficiary accounts to which direct credit is to be given.</li> </ul> <p><b>COLLATERAL DEPOSITS</b></p> <ul style="list-style-type: none"> <li>▪ Trading members/custodians may deposit collateral in SLBS in form of:                             <ul style="list-style-type: none"> <li>▪ -Cash</li> <li>▪ -Fixed Deposit Receipts (FDRs).</li> <li>▪ -Bank Guarantee (BGs).</li> </ul> </li> <li>▪ All SLB Members are required to maintain with the Exchange a Base Minimum Capital (BMC) of Rs. 10 lacs (per membership right) in the form and proportion of 12.5% in cash (minimum) and balance by way of cash / FDRs / bank guarantees. The deposit towards Base Minimum Capital will not be available for adjustment towards margins.</li> <li>▪ In addition to the Base Minimum Capital the SLB Members may deposit additional capital in form of cash or cash equivalent only (i.e., Fixed Deposit Receipts of Banks and Bank Guarantee).</li> </ul> <p><b>Procedure for deposit of collaterals:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Cash:</b> <ul style="list-style-type: none"> <li>▪ For depositing of cash as additional capital the procedure would be the same as followed in Cash Segment, i.e., SLB Members would be required to give instructions to their respective Clearing Banks for enhancement of capital. The benefit of such cash deposit would be given subject to receipt of confirmation from respective Clearing Banks. The format of instruction letter to the Clearing Bank is enclosed as Annexure-I</li> </ul> </li> <li>▪ <b>Fixed Deposit Receipts (FDRs):</b> <ul style="list-style-type: none"> <li>▪ The FDR(s) deposited by the SLB Members towards BMC and additional capital should be issued by any branch of a scheduled commercial bank and should be for a minimum period of three months. The FDRs deposited by the members towards BMC + AC have to be issued in favour of "BSE Ltd. A/c - Trade name of the member" and are required to be duly discharged by the SLB Member himself or an authorized signatory of the member, on the reverse of the FDRs by affixing revenue stamp and signing across it.</li> <li>▪ The member, who desires to submit a FDR towards capital, has to submit a written request on his letterhead to CSD along with the original FDR document. The FDR should be accompanied with a letter from the bank issuing the FDR and</li> </ul> </li> </ul>



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		<ul style="list-style-type: none"> <li>▪ BOISL shall specify the Participant wise position limits on the last trading day of the month, which shall be reckoned for this purpose during the next month.</li> <li>▪ <b>FII/MF Position limits:</b></li> <li>▪ The position limits applicable for Foreign Institutional Investor (FII), Mutual Funds (MF) shall be same as of a SLB member i.e. lower of:                             <ul style="list-style-type: none"> <li>10% of the market-wide position limits OR</li> <li>Rs. 50 crores</li> </ul> </li> <li>▪ <b>Client Level Position Limits:</b></li> <li>▪ The client level position limits for a security for each specific client shall not be more than 1% of the market-wide position limits.</li> <li>▪ Client level position limits security-wise, shall be made available to Members on BSE's website (<a href="http://www.bseindia.com">www.bseindia.com</a>).</li> <li>▪ <b>Unique Client ID Position Monitoring:</b></li> <li>▪ The client level positions limits shall be monitored at the unique client code level based on the unique client ID allotted by BOISL. The client level position limits shall be applicable on the combined positions for the same clients transacting through different Members, as well.</li> <li>▪ Members shall ensure that client-level position limits are kept within the permissible limits for all the above cases. In the event of a violation, the SLB member shall be required to ensure that the client does not take fresh positions.</li> <li>▪ <b>DEALINGS WITH CLIENTS</b></li> <li>▪ <b>Confirmation memos</b></li> <li>▪ Members shall issue confirmation memos as per the format specified in, for all the transactions executed on order matching platform, on the date of transaction and shall maintain proof of delivery of the same to the clients. Format of confirmation memo- <b>Annexure V</b></li> <li>▪ Members may also issue confirmation memos in digital format with the consent of the client. It should be in encrypted, non-tamperable format and digitally signed as per the IT Act, 2000 and shall be delivered to the email id provided by the client. Further, logs of the same should be preserved.</li> <li>▪ <b>Funds and Securities:</b></li> <li>▪ <b>Client's Funds and Securities: -</b></li> <li>▪ Members shall route clients' funds / securities through client bank / constituents demat account only. Clients' funds / securities shall be used for the purpose of respective clients only.</li> <li>▪ <b>Receipt and delivery of Securities</b></li> <li>▪ Members shall ensure that securities are received from / delivered to the respective clients' demat accounts only.</li> <li>▪ <b>Receipt and Payment of Funds</b></li> <li>▪ Members shall ensure that funds shall be received from / paid to the respective clients' bank accounts only. Further, receipt and payment of funds should be made by account payee crossed cheques / demand drafts or by way of direct credit in to the bank account through EFT or any other mode allowed by RBI.</li> <li>▪ <b>Quarterly Statement of accounts for funds and securities</b></li> <li>▪ Members shall send complete statement of accounts for both funds and securities in respect of each of its clients in such periodicity not exceeding three months (calendar quarter) within a month of the expiry of the quarter. The statement shall</li> </ul>

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		<p>also state that the client shall report errors, if any, in the statement within thirty days of receipt thereof, to the SLB member.</p> <p><b>Books of accounts, Records and Documents</b></p> <ul style="list-style-type: none"> <li>▪ Members shall maintain and preserve books of account, records and registers separately as may be necessary and make them available to BOISL as and when required.</li> </ul> <p>Annexure-I to IV Annexure-Confirmation memo</p> <p><b>Implications</b></p> <p>Members to ensure back office changes with reference to: -Operations and settlement of first leg and reverse leg, Risk management on MTM and position monitoring, Collateral management and Reporting to exchanges and interface with exchanges</p> <p><b>Previous Reference</b></p> <p>20080128-3, January 28, 2008~20080130-38, January 30, 2008</p>
20080421-32, dated April 21, 2008	Collateral deposited by clients with members	<p>Members to note SEBI circular MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 regarding collateral deposited by clients with members. Members are advised to strictly comply with the provisions of the circular.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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 :-             <ol style="list-style-type: none"> <li>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.</li> <li>2.2 Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-                 <ol style="list-style-type: none"> <li>a. Receipt of collateral from client and acknowledgement issued to client on receipt of collateral</li> <li>b. Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin</li> <li>c. Record of deposit of collateral with exchange / clearing corporation / clearing house</li> <li>d. Record of return of collateral to client</li> <li>e. Credit of corporate action benefits to clients</li> </ol> </li> <li>2.3 The records should be periodically reconciled with the actual collateral deposited with the broker.</li> <li>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.</li> </ol> </li> <li>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.</li> </ol>

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Circular no	Circular Title	Gist of the Circular
		<p>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.</p> <p>Annexure-SEBI Circular</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Finally, after years a complete clarity on deposit of client collateral with exchange, this would be one of the most welcome clarifications as on client approval, the collateral can be deposited with exchange.</li> <li>▪ The clients too would welcome the scenario especially for brokers who did not have own portfolio currently insisted on cash margin, now can accept margin requirements in the form of collateral.</li> <li>▪ Further it also encourages brokers to insist on only approved securities, thus leading to healthier risk management</li> <li>▪ However the most important underlying on the entire scenario is maintenance of seamless system with complete audit trails as defined in the circular.</li> </ul> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-11/2008, April 17, 2008</p>
20080421-29, dated April 21, 2008	Comprehensive Risk Management and Early Pay in	<p>Reference is drawn to SEBI circular No. MRD/DoP/SE/Cir-10/2008 dated April 17, 2008 on Comprehensive Risk Management Framework for the cash market</p> <p>A facility for early pay-in of funds is being provided by the Exchange Member brokers and Custodians. The procedure to be as follows:</p> <ul style="list-style-type: none"> <li>▪ The early pay-in amount is to be transferred to the settlement account of the Exchange by giving instructions to the respective Clearing Banks.</li> <li>▪ The details in respect of Member Code, Settlement No., Client Code and early pay-in amount are to be provided in the file format given below :</li> </ul> <p><b>File format for Early Pay-in of Funds</b></p> <p>File Name: EPddmmyyMemberID . Serial No (Where Serial No. is incremental) e.g.: EP2104081003.001 Where Date= 21<sup>st</sup> April 2008, Member ID= 1003, Serial No = 001</p> <p><b>Header:</b> #dd-mm-yy   Sr.No   Segmenttype   Filename Where Segment Type = EQ (for Equity)</p> <p><b>Data:</b> Settlement No/FromFinancialYearToFinancialyear (12 Character) e.g. 001/20082009 Member ID (4 Integers) Client Code (11 Alphanumeric) Early-Payin Amount (15 Integers)</p> <p><b>Footer:</b> ##Number of Records   Sum of Early-Payin Amount Such file is to be uploaded through DUS upload system.</p>

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		<ul style="list-style-type: none"> <li>The member to ensure that the details are entered correctly and the file is in the specified format. The incremental number (zz) should also be mentioned correctly before uploading.</li> </ul> <p>The detailed modalities in respect of point 2(a) of the SEBI circular will be informed in due course. Reference is drawn to SEBI circular Nos. MRD/DoP/SE/Cir-07/2005 and MRD/DoP/SE/Cir-06/2008 dated February 23, 2005 and March 19, 2008 on the comprehensive risk management for the cash market and margining of institutional trades in the cash market respectively.</p> <p>3. In continuation of the above, the stock exchanges are advised to implement the following:-</p> <ol style="list-style-type: none"> <li>As regards the transactions executed on behalf of institutional clients in the cash market, it shall be permissible to maintain their entire margin in the form of approved securities with appropriate haircuts as specified in the aforesaid SEBI circular dated February 23,2005.</li> <li>Necessary systems shall be put in place to enable early pay-in of funds. In cases where early pay-in of funds is made by the members, the outstanding position to that extent of early pay-in shall not be considered for computing the margin obligations.</li> <li>Necessary systems shall be put in place so as to enable adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ol> <p>Annexure-SEBI Circular</p>
		<p><b>Implications</b></p> <p>The Early pay in of funds format to be interfaced with back office Comprehensive risk management framework on institutional margin systems where :</p> <ul style="list-style-type: none"> <li>Margins will be reduced to the extent of early pay in of funds</li> <li>Margin can be in the form of approved securities with appropriate haircuts</li> <li>Adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ul> <p>The above should relatively ease out the institutional concerns on margin requirements and issues of FIIs required to bear an increased Foreign exchange (forex) risk as FIIs are subject to regulatory restrictions for borrowing locally thereby putting them at a disadvantage vis a vis the retail investor who can borrow funds to pay margins. Further Members to create a blue print of impact on front and back office software on account of above expected changes</p>
		<p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-10/2008, April 17 2008~ MRD/DoP/SE/Cir-07/2005, February 23 2005 ~ MRD/DoP/SE/Cir-06/2008, March 19 2008</p>

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Circular no	Circular Title	Gist of the Circular
MRD/DSA/SE/Cir-09 /08, dated April 17, 2008	Interpretation of term "shareholder having trading rights" under Securities	<p>With reference to term "shareholder having trading rights" under Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006.</p> <p>To ensure that at least fifty-one percent of equity share capital of recognized stock exchange is held by the public , it is clarified that the term "shareholder having trading rights" mentioned in the aforesaid regulations would mean as under:</p>

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	Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006	<p>The term “shareholder having trading rights” would mean a shareholder who has a trading interest in the stock exchange, whether directly or indirectly through a person having trading rights.</p> <p>Explanation: A shareholder having a trading interest “indirectly” in relation to a person having trading rights, would be understood in the same manner as the term “associate” is in relation to a shareholder having trading rights under regulation 2(1)(b) of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006.</p> <p><b>Implications</b></p> <p>At Least 51% of equity shares capital of recognized stock exchange shall be held by public. The term of “share holder having rights” has been explained wherein a shareholder has trading interest in the stock exchange directly or indirectly.</p>
MRD/DoP/SE/Cir-10/2008, dated April 17, 2008	Comprehensive Risk Management Framework for the cash market	<ol style="list-style-type: none"> <li>Please refer to our circular Nos. MRD/DoP/SE/Cir-07/2005 and MRD/DoP/SE/Cir-06/2008 dated February 23, 2005 and March 19, 2008 on the comprehensive risk management for the cash market and margining of institutional trades in the cash market respectively.</li> <li>In continuation of the above, the stock exchanges are advised to implement the following:- <ol style="list-style-type: none"> <li>As regards the transactions executed on behalf of institutional clients in the cash market, it shall be permissible to maintain their entire margin in the form of approved securities with appropriate haircuts as specified in the aforesaid SEBI circular dated February 23, 2005.</li> <li>Necessary systems shall be put in place to enable early pay-in of funds. In cases where early pay-in of funds is made by the members, the outstanding position to that extent of early pay-in shall not be considered for computing the margin obligations.</li> <li>Necessary systems shall be put in place so as to enable adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ol> </li> <li>The Stock Exchanges shall issue the necessary guidelines in this regard and shall put in place the necessary systems to ensure the operationalization of the above.</li> </ol> <p><b>Implications</b></p> <p>Comprehensive risk management framework on institutional margin systems where :</p> <ul style="list-style-type: none"> <li>Margins will be reduced to the extent of early pay in of funds</li> <li>Margin can be in the form of approved securities with appropriate haircuts</li> <li>Adjustment of the pay-in obligations of the members from the cash component of the liquid assets deposited by them.</li> </ul> <p>The above should relatively ease out the institutional concerns on margin requirements and issues of FIIs required to bear an increased Foreign exchange (forex) risk as FIIs are subject to regulatory restrictions for borrowing locally thereby putting them at a disadvantage vis a vis the retail investor who can borrow funds to pay margins.</p> <p>Further Members to create a blue print of impact on front and back office software on account of above expected changes</p> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-07/2005, February 23 2005 ~ MRD/DoP/SE/Cir-06/2008, March 19 2008</p>

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Circular no	Circular Title	Gist of the Circular
MRD/DoP/SE/Cir-11/2008, dated April 17, 2008	Collateral deposited by clients with brokers	<ol style="list-style-type: none"> <li>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.</li> <li>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 :-               <ol style="list-style-type: none"> <li>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.</li> <li>2.2 Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-                   <ol style="list-style-type: none"> <li>a. Receipt of collateral from client and acknowledgement issued to client on receipt of collateral</li> <li>b. Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin</li> <li>c. Record of deposit of collateral with exchange / clearing corporation / clearing house</li> <li>d. Record of return of collateral to client</li> <li>e. Credit of corporate action benefits to clients</li> </ol> </li> <li>2.3 The records should be periodically reconciled with the actual collateral deposited with the broker.</li> <li>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.</li> </ol> </li> <li>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.</li> <li>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.</li> </ol>
		<p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Finally, after years a complete clarity on deposit of client collateral with exchange, this would be one of the most welcome clarifications as on client approval ,the collateral can be deposited with exchange.</li> <li>▪ The clients too would welcome the scenario especially for brokers who did not have own portfolio currently insisted on cash margin, now can accept margin requirements in the form of collateral.</li> <li>▪ Further it also encourages brokers to insist on only approved securities, thus leading to healthier risk management</li> <li>▪ However the most important underlying on the entire scenario is maintenance of seamless system with complete audit trails as defined in the circular.</li> </ul>
		<p><b>Previous Reference</b></p> <p>SMD/SED/CIR/93/23321, November 18 1993 ~ SEBI/MIRSD/DPS-1/Cir-31/2004, August 26 2004</p>

**SEBI - SAT ORDERS**

Circular no	Circular Title	Gist of the Circular
Appeal No. 165 of 2007, dated April 03, 2008	Vyas Securities Pvt. Ltd. and Pradyuman Joitaram Vyas	<p>Appellant - Vyas Securities Pvt. Ltd. and Pradyuman Joitaram Vyas</p> <ul style="list-style-type: none"> <li>▪ Pradyuman Joitaram Vyas (Pradyuman) was a stock broker and a member of the ASE</li> <li>▪ Pradyuman after joining some others with him formed a corporate entity by the name of Vyas Securities Pvt. Ltd. (the company). The company was incorporated on 31.7.1998 and thereafter the individual membership card of Pradyuman was transferred in its name whereupon it applied to the Board for registration as a stock broker.</li> <li>▪ As is clear from the certificate of registration, the company was registered by the Board as a stock broker on 23.12.1998 and is carrying on its business as a stock broker with effect from that date. With a view to give incentive to those brokers who corporatize themselves, the Board introduced paragraph 4 in schedule III to the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (the Regulations) which grants exemption to the corporate entity from payment of registration fee for the period for which erstwhile individual member had already paid the fee subject to the conditions enumerated in this paragraph.</li> <li>▪ It is not in dispute that one of the conditions on which a corporate entity could be granted the benefit of the fee paid by the erstwhile individual is that             <ul style="list-style-type: none"> <li>- the said individual should be a whole time director of the newly formed corporate entity and</li> <li>- that he should continue to hold a minimum of 40% shares of the paid-up equity capital of the corporate body for a period of at least 3 years from the date of corporatization.</li> </ul> </li> <li>▪ After the company was granted registration as a stock broker with effect from 23.12.1998, it applied to the Board for granting exemption from payment of registration fee for the period for which Pradyuman had already paid such fee stating that Pradyuman being the chairman-cummanaging director of the company held more than 40% shares of its paid-up equity capital and that he continued to hold that position and the percentage of shares for more than 3 years from the date of corporatization.</li> <li>▪ The claim was rejected and a fee liability statement issued by the Board calling upon the company to pay the amount specified therein treating it as a newly registered stock broker with effect from the date of registration.</li> <li>▪ The fee liability statement was challenged before the Tribunal in Appeal no. 202 of 2004 which came up for hearing alongwith several other appeals on 4.5.2006 and the same was allowed on the ground that the liability had been fixed without affording an opportunity of hearing to the company.</li> <li>▪ The case was remanded to the Board for a fresh decision in accordance with law. It was then that the deputy general manager of the Board by order dated 29.3.2007 rejected the claim of the company holding that it was not entitled to claim the benefit of paragraph 4 in schedule III to the Regulations on the ground that Pradyuman was not a whole time director of the company. It is against this order that the present appeal has been filed.</li> <li>▪ Was Pradyuman a whole time director of the company is the short question that arises for consideration in this appeal. The fact that he held office as a director of the company for a period of more than 3 years from the date of its corporatization is not in dispute.</li> <li>▪ In order to establish its claim for exemption under paragraph 4 in schedule III to the Regulations, the company placed before the Board the original proceedings of the meeting of its board of directors held on 31.7.1998 in which Pradyuman was</li> </ul>

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		<p>appointed as the managing director of the company and by another resolution passed in the same meeting he was appointed its chairman as well. In addition, a copy of the relevant para of the proceedings of the meeting held on 31.7.1998 certified to be true by the company was also produced.</p> <ul style="list-style-type: none"> <li>▪ These documents were produced through the Ahmedabad Stock Exchange as per the practice followed by the Board. There was a slight discrepancy in the original proceedings and the certified copy of the proceedings. In the original proceedings it has been recorded that the meeting was held at 11 a.m. whereas in the copy certified to be true, the meeting is shown to have been held at 1800 hrs. The deputy general manager who conducted the proceedings on behalf of the Board and before whom these documents had been produced noticed the discrepancy and came to the conclusion that Pradyuman was not a whole time director of the company and accordingly rejected the claim by passing the impugned order.</li> <li>▪ The Dy GM did not rely upon either of the two proceedings and doubted the correctness of the proceedings on the following two grounds as noticed by her in the impugned order:-             <ol style="list-style-type: none"> <li>1. The minutes have been signed by Shri Pradyumn Vyas only although other two directors were present for the meeting.</li> <li>2. It is not understood as to why on the same day, two meetings were conducted – one at 11.00 a.m. and another at 1800 hours for passing the same resolution twice. Further, the first annual report of Vyas for the year 1998-99 provided by ASE, indicates that Shri Pradyuman J. Vyas was the Chairman of Vyas. But, the report does not indicate that he was the Managing Director</li> </ol> </li> <li>▪ In addition to the aforesaid two grounds she also doubted the correctness of the proceedings of the meeting on the ground that the original proceedings produced before her did not “appear to be a decade old document”. In view of these findings the claim has been rejected.</li> </ul> <p>Observations</p> <ul style="list-style-type: none"> <li>▪ It is accepted that Pradyuman was appointed as the managing director and chairman of the company by two separate resolutions in the board meeting held on 31.7.1998. As a managing director he cannot but be a whole time director of the company.</li> <li>▪ Also there was no other claim set up by any other person to the managing directorship of the company .</li> <li>▪ Another reason for not upholding the impugned order is, the company was registered by the Board as a stock broker on 23.12.1998 and the certificate of registration granted to it is on the record.</li> <li>▪ It was Pradyuman who applied to the Board for the registration of the company as a stock broker and signed the application in his capacity as chairman cum managing director of the company.</li> <li>▪ It is noted that in identical circumstances the Board itself in the case of PRS Shares and Finance Pvt. Ltd. granted the benefit of fee continuity when the erstwhile individual member became the managing director of the corporate entity.</li> </ul> <p>Order:                      Allow the appeal and set aside the impugned order. The Appellants will have their costs which are assessed at Rs.50,000/-.</p> <p><b>Implications</b></p> <p>For the corporate to claim fee incentive, the individual who has paid the fee should fulfill below two conditions</p> <ul style="list-style-type: none"> <li>- the said individual should be a whole time director of the newly formed corporate entity and</li> </ul>

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		<p>- that he should continue to hold a minimum of 40% shares of the paid-up equity capital of the corporate body for a period of at least 3 years from the date of corporatization</p>
		<p><b>Previous Reference</b></p> <p>Paragraph 4 in schedule III to the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992</p>
Appeal No. 25 of 2008, dated April 10, 2008	Shri Sukumar Chand Jain	<p>Appellant - Sukumar Chand Jain</p> <ul style="list-style-type: none"> <li>▪ Challenge in this appeal is to the order dated 7.2.2008 passed by the whole time member of the SEBI (the Board) rejecting the claim of the appellant to include the non-compete consideration of Rs.50.03 per share to the price offered by the acquirer for the shares offered in pursuance to the public offer.</li> </ul> <p>Facts of the case</p> <ul style="list-style-type: none"> <li>▪ LANXESS ABS Limited is the target company. LANXESS India Private Limited is one of its major shareholders holding 50.97% of the shares. Rakesh Agrawal and his group held another 18.82% shares in the target company.</li> <li>▪ In pursuance to a share purchase agreement executed between INEOS ABS (Jersey) Limited (the acquirer) and LANXESS India Private Limited, Rakesh Agrawal and his group of shareholders and others, the acquirer agreed to acquire 69.8% of the shares of the target company which triggered the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the takeover code).</li> <li>▪ Since the acquisition was far in excess of the threshold limit prescribed by the takeover code, the acquirer came out with a public announcement which appeared in the newspapers on June 30, 2007.</li> <li>▪ The public at large and the public shareholders of the target company were informed that the acquirer had entered into the aforesaid share purchase agreement at a price of Rs.196.36 per equity share from LANXESS India Private Limited and at a price of Rs.201 per equity share from Rakesh Agrawal and his group of shareholders.</li> <li>▪ In addition to this price, the acquirer had also agreed to pay Rakesh Agrawal and his group of shareholders a non-compete consideration of Rs.16,56,32,495/- for entering into the non-compete undertaking referred to in the share purchase agreement.</li> <li>▪ The appellant purchased for the first time 100 shares of the target company on July 10, 2007 and thereafter he made further purchases and kept trading in the shares of the target company and as on September 29, 2007 he held 6190 shares.</li> <li>▪ The appellant filed a complaint with the Board on July 24, 2007 complaining therein that the non-compete fee mentioned in the share purchase agreement appeared to be structured in a way so as to pass on a part of the sale consideration to Rakesh Agrawal and his group of shareholders.</li> <li>▪ According to the complainant (appellant) this would deprive the minority shareholders from receiving a higher price for their shares in the open offer.</li> <li>▪ On receipt of this complaint, the Board forwarded the same to the merchant banker of the acquirer and thereafter correspondence was exchanged between the parties whereafter the Board offered its comments on the draft letter of offer submitted to it by the acquirer through its merchant banker.</li> <li>▪ It is relevant to mention that in its comments, the Board appears to have accepted the plea of the complainant (appellant) and the acquirer was advised to revise the offer price after including the payment of non-compete fee (per share) in the offer price.</li> <li>▪ On receipt of the comments of the Board, the merchant banker of the acquirer addressed two communications to the Board seeking personal hearing with a view to satisfy it that the offer price was not required to be revised and that the non-compete</li> </ul>

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		<p>fee agreed to in the share price agreement was justified.</p> <ul style="list-style-type: none"> <li>▪ The Board after hearing the merchant banker on behalf of the acquirer and on a consideration of the oral and written submissions made before it, revised its earlier stand and by order dated 7.2.2008 held that the non-compete consideration of Rs.50.03 per share was justified in terms of the takeover code as it was within the 25% limit prescribed in Regulation 20(4) and 20(8) of the takeover code.</li> <li>▪ The application filed by the merchant banker on behalf of the acquirer was accordingly disposed of. Hence this appeal.</li> <li>▪ Respondents at the outset raised a preliminary objection stating that the appellant had not approached the Tribunal with clean hands and that the appeal by virtue of his own conduct had become infructuous.</li> <li>▪ It is also urged that the reliefs in the memorandum of appeal should not be granted in the facts and circumstances of the case. It is agreed that appellant has not approached the Tribunal with clean hands and must fail on this short ground. Reason for this is that non-satisfaction with the bona fides of the appellant in filing the present appeal.</li> <li>▪ The grievance of the appellant is that the acquirer having paid an additional sum to Rakesh Agrawal and his group of shareholders which, according to him, is structured in a way to pass on a part of the sale consideration in the form of non-compete fee, should be paid to all the shareholders to whom the offer has been made.</li> <li>▪ It is failed to understand as to why the appellant purchased the shares of the target company after the public announcement on June 30, 2007 when his grievance was that the acquirer was not offering adequate price for the shares to the shareholders other than Rakesh Agrawal and his group.</li> <li>▪ No satisfactory explanation is forthcoming from the side of the appellant. Not only did he purchase the shares and become a shareholder of the target company for the first time after the public announcement, he also traded in those shares subsequently and his portfolio had swollen to 6190 shares as on September 29, 2007.</li> <li>▪ Another reason why the appellant must fail is mentioned as, It is common case of the parties that during the pendency of the appeal, the appellant unconditionally offered his entire shareholding to the target company which offer has been accepted and he has ceased to be a shareholder.</li> <li>▪ Having offered the shares which have been accepted, he cannot be allowed to make a grievance that the price offered by the acquirer was not adequate or that the same price which was offered to Rakesh Agrawal and his group of shareholders should have been offered to him and other public shareholders.</li> </ul> <p>In view of this conduct of the appellant, he is estopped from challenging the purchase made by the acquirer nor can he claim a higher price</p> <p>It is also mentioned that, Since there would be large number of shareholders who did not offer their shareholding and today if the acquirer were to be directed to pay additional amount to the shareholders who had actually offered their shares, it is injustice to those shareholders who did not offer their shares. For this reason as well the claim of the appellant, has to be rejected.</p> <p><b>Order:</b> Dismiss the appeal leaving the parties to bear their own costs. The application filed by India Deep Value Fund for intervention also stands dismissed.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ To make an appeal the appellant should be bona-fide &amp; should have justified approach to tribunal.</li> </ul>

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		<b>Previous Reference</b>
		Regulation 20(4) and 20(8) of the (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
Appeal No. 4 of 2007, dated April 16, 2008	Palco Metals Limited	<p>Appellant - Palco Metals Limited</p> <ul style="list-style-type: none"> <li>▪ Palco Metals Limited’s (Company) shares were listed on the Ahmedabad Stock Exchange (the exchange) some time in the year 1960 and they continued to remain listed till 11.4.1993.</li> <li>▪ The company was de-listed with effect from 12.4.1993 on account of non-payment of listing fee. The exchange allowed re-listing of the shares from July 9, 1997 because by that time the appellant company had paid the arrears of the listing fee.</li> <li>▪ On February 15, 1997 the shareholders of the company in an extraordinary general meeting authorized the board of directors to allot 900520 additional shares on preferential basis under section 81(1A) of the Companies Act. The board of directors made the allotment on 8.3.1997.</li> <li>▪ The company then applied on 19.8.1997 to the exchange for the listing of the preferential shares. This application remained pending with the exchange for a few years and during this period correspondence was being exchanged between the exchange and the Board(SEBI).</li> <li>▪ By letter dated October 18, 2002 the Board informed the exchange that the preferential allotment made by the company was without complying with the regulatory requirements as the shares of the company were not listed on any stock exchange. The exchange was advised “not to list these shares as the allotment was made during the period when the company was de-listed from the exchange and without complying the regulatory requirements.”</li> <li>▪ In view of this advice, the exchange by its letter dated 22.10.2002 informed the appellant company that its application for listing had been closed.</li> <li>▪ Feeling aggrieved by the action of the exchange in rejecting the application, the appellant filed Appeal no. 8 of 2003 before the Tribunal.</li> <li>▪ It may be mentioned that when the company filed the application for listing of the preferential shares on 19.8.1997 it had already been re-listed with effect from 9.7.1997.</li> <li>▪ When the appeal came up for hearing on 22.9.2004 the learned counsel appearing for the Board took the stand that it (Board) does not advise stock exchanges as to whether a scrip could be listed or not and that it is for the stock exchange to take a decision in that regard.</li> <li>▪ The learned counsel appearing for the exchange withdrew the impugned order because the ground on which the application had been rejected was no longer then subsisting. Liberty was given to the exchange to pass a fresh order.</li> <li>▪ After the appeal filed by the appellant had been disposed of, the exchange again took up the matter with the Board and with some independent company secretaries for advice as to how the application for listing could be dealt with.</li> <li>▪ The Board sent a communication dated November 18, 2004 to the exchange pointing out that the company had contended that it was a listed company when the shares were issued on preferential basis on March 8, 1997 and that it had signed the listing agreement with the exchange on October 31, 1996.</li> <li>▪ In view of these facts, the Board drew an absurd inference that the regulatory requirements applicable to listed companies in making preferential allotment had not been complied with. The Board did not point out any specific regulatory requirement which the company is said to have violated. The exchange by its communication dated July 26, 2006 again informed the company that its application for the listing of 900520 equity shares of Rs.10 each issued on preferential basis stood rejected.</li> </ul>

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		<ul style="list-style-type: none"> <li>▪ Exchange in its communication mentioned that “in respect of compliance under the provisions of SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, the L &amp; D Committee was of the view that company has failed to comply with the prevalent SEBI (SAST) Regulations and to waive or exempt the company from the requirements of SEBI Preferential issue guidelines as well as SEBI (SAST ) Regulations lies within the purview of SEBI and not with the Exchange.”</li> <li>▪ This appeal is against this rejection by exchange.</li> </ul> <p>It is viewed that the appeal deserves to succeed based on following observations;</p> <ul style="list-style-type: none"> <li>- After the application for listing had been filed on 19.8.1997 there was correspondence exchanged between the exchange and the Board as to whether the preferential shares issued by the appellant company should be listed or not. As already observed, the Board was of the view that since the allotment was made during the period when the company had been de-listed from the exchange, the preferential shares could not be listed without complying with the regulatory requirements. It had not been pointed out as to which regulatory requirement had not been complied with by the appellant company.</li> <li>- During the course of the exchange of correspondence between the exchange and the Board the former had informed the latter by its communication “ASE SHALL HAVE “NO OBJECTION” TO THE LISTING OF ABOVE EQUITY SHARES, PROVIDED IN THE CIRCUMSTANCES AND ON FACTS OF THE CASE, SEBI DEEMS IT FIT AND PROPER TO PERMIT THE LISTING OF THESE ADDITIONAL SHARES.”</li> <li>- It is mentioned that the listing and delisting committee of the exchange was of the view that the appellant company had failed to comply with the provisions of the SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations without referring to any specific regulation that had been violated. The decision makers have given no reasons as to why the application for listing deserves to be rejected</li> <li>▪ It is mentioned that “the Board and the exchange should realize the loss suffered by the shareholders of the company who have been deprived of the opportunity to trade their shares in the market”.</li> </ul> <p><b>Order</b></p> <ul style="list-style-type: none"> <li>▪ The appeal is allowed and the decision of the exchange to reject the application for listing set aside. The exchange will now list the preferential shares allotted by the appellant company within two weeks from the date of receipt of a copy of this order. The appellant will have its costs from the respondents which are assessed at Rs. 1 lac to be shared by the respondents equally.</li> </ul> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Before listing of any additional shares on exchange the company needs to comply with the provisions of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers).</li> </ul> <p><b>Previous Reference</b></p> <p>Substantial Acquisitions of Shares and Takeovers and listing norms</p>
Appeal No. 50 of 2006, dated April 16, 2008	Vinay Capital Limited	<p>Appellant - Vinay Capital Limited</p> <ul style="list-style-type: none"> <li>▪ It is alleged that the appellant while trading in the scrip of Vision Organics Ltd. (the company) had executed structured deals with a view to create an artificial market in the scrip. Investigations carried out by the SEBI (the Board) revealed that the scrip of the company was not very liquid and that the appellant executed cross deals.</li> <li>▪ A SCN dated September 29, 2004 was issued to the appellant making the aforesaid allegations. The details of the trades</li> </ul>

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		<p>executed by the appellant were shown in the chart attached to the SCN.</p> <ul style="list-style-type: none"> <li>▪ The appellant filed its detailed reply controverting the allegations. On a consideration of the material collected by the Board during the enquiry, it came to the conclusion that the charges levelled stood established and by order dated 1.2.2006 the appellant has been debarred from accessing the securities market for a period of two months from the date of the order. It is against this order that the present appeal has been filed.</li> <li>▪ The trades appear to be structured and were executed through brokers who were connected with the appellant. Not only this, the counter party in most of the trades was Ketan Shah &amp; Co. which traded through HDFC Securities Limited as its broker.</li> <li>▪ It is admitted that the appellant is holding 49% shares in HDFC Securities Limited which is a registered stock broker and they both have a common director. It is also not in dispute that Ketan Shah and his family holds 15% of the share capital in the appellant company. It is in this background that one has to view the trades executed by the appellant. In all, the appellant executed 13 trades ranging from October 19, 2001 to 9<sup>th</sup> November, 2001 and in most of these trades the counter party was Ketan Shah &amp; Co.</li> <li>▪ It is observed that the trading system on the stock exchanges including NSE maintains anonymity as to the buyer and the seller and that at the time of the trading it is not possible for one party to know as to who the counter party is, it is difficult to imagine that the appellant and Ketan Shah could execute and match several trades between themselves. It is therefore agreed that the appellant executed structured deals with a view to create artificial volumes in the scrip of the company.</li> <li>▪ After observing the details of the trades, it is found that the appellant did not trade in large volumes and that all the trades were executed at the prevailing market price. There was, thus, no attempt to manipulate the price.</li> <li>▪ It is viewed that the period of two months for which the appellant has been debarred from accessing the capital market is highly excessive.</li> <li>▪ At this point the appellant has already remained out of the market for 40 days in pursuance to the impugned order</li> </ul> <p>Order: The period of debarment is reduced to the period already undergone by the appellant as this would meet the ends of justice. The appeal is disposed of as above leaving the parties to bear their own costs.</p> <p><b>Implications</b> Cross deals or structured deals by brokers may lead to debarring the broker from market.</p>
Misc. Application No.33 of 2008 In Appeal No. 79 of 2007, dated April 24, 2008	In the matter of Adani Properties Pvt. Ltd	<p>Appellant - Adani Properties Pvt. Ltd.</p> <ul style="list-style-type: none"> <li>▪ This order will dispose of 7 applications and 7 Appeals no. 79 to 85 of 2007 filed by the appellants for an order approving the consent terms as settled before the High Powered Committee all of which are directed against the same order.</li> <li>▪ These appeals are directed against the order dated 25.5.2007 passed by the whole time member of the SEBI (Board) prohibiting the appellants from accessing the securities market directly or indirectly and also prohibiting them from buying, selling or otherwise dealing in securities in any manner whatsoever for a period of two years.</li> <li>▪ By the time these appeals came up for hearing and before this Tribunal granted stay of the operation of the impugned order, the impugned order had already come into operation and the appellants had remained out of the market for a period of about 50 days.</li> <li>▪ Investigations carried out in the scrip of Adani Exports Limited (the company) revealed that there was an association between</li> </ul>

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		<p>Ketan Parekh group of entities and Adani group to which the appellant belongs. It was noticed that there was movement of shares from Adani group to Ketan Parikh entities and vice-versa and that there was also movement of funds to and fro from Adani group of companies to Ketan Parikh entities.</p> <ul style="list-style-type: none"> <li>▪ On a detailed enquiry conducted by the Board it was established that various market irregularities/illegalities had been committed during the course of the trading in the scrip of the company.</li> <li>▪ During the pendency of the appeals, the appellants filed applications before the Board for a consent order in terms of the Board's circular dated April 20, 2007. Those applications were processed and sent to the High Powered Committee where the terms of the consent after negotiations had been finalized.</li> <li>▪ The recommendations of the committee were then placed before two whole time members of the Board. M/s. Adani Agro Pvt. Ltd. one of the appellants undertook to pay a sum of Rs.10,50,000/- whereas the other appellants agreed to pay a sum of Rs.7.5 lacs each. These terms were accepted by the Committee and the dispute was agreed to be settled on payment of the aforesaid amounts.</li> <li>▪ Since the terms were settled during the pendency of these appeals, the present applications have been filed seeking permission of this Tribunal to settle the issue on payment of the aforesaid amounts.</li> <li>▪ It is opined that the terms settled between the parties appear to be fair and reasonable and that the ends of justice would be adequately met if the dispute involved in the appeals is settled on payment of the amounts aforesaid.</li> </ul> <p><b>Order:</b></p> <ul style="list-style-type: none"> <li>▪ The applications and the appeals stand disposed of as above with no order as to costs.</li> </ul> <p><b>Implications</b></p> <p>Consent orders of the nature mentioned in this case will provide quick &amp; appropriate sanctions for the parties involved, hence avoiding long litigations.</p>
<p>Misc. No. 29 of 2008 In Appeal No. 116 of 2007, dated April 24, 2008</p>	<p>M/s Manyog Investments Pvt. Ltd &amp; Ors.</p>	<p>Appellant - M/s Manyog Investments Pvt. Ltd &amp; Ors.</p> <ul style="list-style-type: none"> <li>▪ The appeal is directed against the order dated July 25, 2007 passed by the whole time member of the Board restraining the appellant from buying, selling or dealing in securities in any manner for a period of one year. During the pendency of the appeal the appellants filed an application for obtaining an order on consent terms in accordance with the circular dated April 20, 2007 issued by the Board.</li> <li>▪ The terms as proposed by the appellants have been approved by the High Powered Committee and the appellant has undertaken to pay a sum of Rs 5.6 lacs to settle the dispute arising in the appeal.</li> </ul> <p><b>Order:</b></p> <p>Grant approval to the consent terms as agreed between the parties before the High Powered Committee and recommended by the SEBI for acceptance. The application is accordingly allowed and the appeal is disposed of in accordance with the consent terms with no order as to costs.</p> <p><b>Implications</b></p> <p>Consent orders of the nature mentioned in this case will provide quick &amp; appropriate sanctions for the parties involved, hence avoiding long litigations.</p>

SEBI-PRESS RELEASE		
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PR No.101/2008, dated April 25, 2008	SEBI Notification On Real Estate Mutual Fund Schemes (Remfs)	<p>SEBI, vide Notification dated April 16, 2008 has amended SEBI (Mutual Funds) Regulations, 1996 to permit mutual funds to launch REMFs.</p> <p>The Salient Features of REMFs</p> <p>Existing Mutual Funds are eligible to launch real estate mutual funds if they have adequate number of experienced key personnel / directors.</p> <ul style="list-style-type: none"> <li>▪ Sponsors seeking to set up new Mutual Funds, for launching only real estate mutual fund schemes, shall be carrying on business in real estate for a period not less than five years. They shall also fulfill all other eligibility criteria applicable for sponsoring a MF.</li> <li>▪ Every real estate mutual fund scheme shall be close-ended and its units shall be listed on a recognized stock exchange.</li> <li>▪ Net asset value (NAV) of the scheme shall be declared daily.</li> <li>▪ At least 35% of the net assets of the scheme shall be invested directly in real estate assets. Balance may be invested in mortgage backed securities, securities of companies engaged in dealing in real estate assets or in undertaking real estate development projects and other securities. Taken together, investments in real estate assets, real estate related securities (including mortgage backed securities) shall not be less than 75% of the net assets of the scheme.</li> <li>▪ Each asset shall be valued by two valuers, who are accredited by a credit rating agency, every 90 days from date of purchase. Lower of the two values shall be taken for the computation of NAV</li> <li>▪ Caps will be imposed on investments in a single city, single project, securities issued by sponsor/associate companies etc.</li> <li>▪ Unless otherwise stated, the investment restrictions specified in the Seventh Schedule shall apply.</li> <li>▪ No mutual fund shall transfer real estate assets amongst its schemes</li> <li>▪ No mutual fund shall invest in any real estate asset which was owned by the sponsor or the asset management company or any of its associates during the period of last five years or in which the sponsor or the asset management company or any of its associates hold tenancy or lease rights.</li> <li>▪ A real estate mutual fund scheme shall not undertake lending or housing finance activities.</li> </ul> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ SEBI approved the guidelines for real estate mutual funds. These funds will be governed by Sebi (Mutual Funds) Regulations.</li> <li>▪ The funds will be initially close-ended and their units will be compulsorily listed on the stock exchanges.</li> <li>▪ The real estate mutual funds will have to declare their net asset value on a daily basis.</li> <li>▪ All these funds would have to appoint custodians that have been granted certificates of registration to carry on the business of custodian of securities by SEBI. Custodians will safe-keep the title of real estate properties held by the funds. These schemes can invest directly in real estate within India.</li> </ul>

NSDL		
Circular no	Circular Title	Gist of the Circular
NSDL/POLICY/2008/0025-Annexure , dated March 19, 2008	Operationalisation of Short Selling and Securities Lending and	<ol style="list-style-type: none"> <li>1. SEBI vide circular dated December 20, 2007 had specified the broad framework for short selling by institutional investors and a full-fledged securities lending and borrowing scheme for all market participants.</li> <li>2. It has been decided to operationalise the above with effect from Monday, April 21, 2008.</li> </ol> <p><b>Implications</b></p>

NSDL		
Circular no	Circular Title	Gist of the Circular
	Borrowing	Operationalisation date of SLBM as declared by SEBI
		<b>Previous Reference</b>
		MRD/DoP/SE/Cir-05/2008, March 19 2008 ~ NSDL/PI/2008/0162, January 29 2008
NSDL/POLICY/2008/0025, dated April 16, 2008	Operationalisation and settlement timings for Securities Lending & Borrowing Scheme (SLBS)	<p>As all DP's are aware, SEBI vide its circular no. MRD/DoP/SE/Cir-05/2008 dated March 19, 2008 informed the stock exchanges and the depositories about the operationalisation of Short Selling and SLBS with effect from April 21, 2008. Further, NSDL vide its Circular No. NSDL/PI/2008/0162 dated January 29, 2008 informed DPs regarding incorporation of Market Type Codes in the CC Calendar at the request of National Securities Clearing Corporation Ltd (NSCCL) and BOI Shareholding Limited (BOISL). The pay-in timings with respect to SLBS settlements as informed by NSCCL and BOISL, effective from April 21, 2008 and NSDL deadline timings thereof are given hereunder:</p> <p><b>CC Id-Market Type Code-Description</b></p> <p>IN001019-18-SLB                      IN001019-19-SLB-R                      IN001019-20-BUY IN AUCTION                      IN001002-23-SLB FIRST LEG                      IN001002-24-SLB RETURN LEG                      IN001002-25-SLB AUCTION BUY-IN</p> <p>The NSDL dead line time is 9.00 am/The NSE/BSE Pay in time is 9.30 am and NSE/BSE Pay out time is 11.30am</p> <p><b>Implications</b></p> <p>The pay in/payout time for SLBM related transactions-for first and reverse leg-normal and auction settlement</p> <p><b>Previous Reference</b></p> <p>MRD/DoP/SE/Cir-05/2008, March 19 2008 ~ NSDL/PI/2008/0162, January 29 2008</p>
NSDL/POLICY/2008/0026-Annx, dated April 22, 2008	SMS Alert facility for NSDL demat account holders-Annexure	<p>Introduction</p> <p>NSDL has launched SMS Alert facility for whereby investors can receive alerts for debits (transfers) to their demat accounts and for credits in respect of corporate actions for IPO and offer for sale.</p> <p>Alerts are also sent in case the instructions given by investors for debiting their demat accounts fail due to insufficient balance. Investors can receive alerts, a day after such debits (transfers)/credits take place or debit instruction failing as the case may be. These alerts are sent to those account holders who have provided their mobile numbers to their DPs.</p> <p>Alerts for debits are sent, if the debits (transfers) are up to five ISINs in a day. In case debits (transfers) are for more than five ISINs, alerts are sent with a message that debits for more than five ISINs have taken place and that the investor can check the details with the DP or on <u>IDeAS</u> website, if the investor is an <u>IDeAS</u> subscriber.</p> <p>Benefits</p> <ol style="list-style-type: none"> <li>1. Investors will get to know about debits and credits for corporate actions for IPO and offer for sale to their demat accounts as well as about failed debit instructions due to insufficient balance without having to call-up their DPs.</li> <li>2. Investors need not wait for receiving Transaction Statements from DPs to know about the debits and credits for corporate actions for IPO and offer for sale.</li> <li>3. In case of any discrepancy, the investor can approach its DP for clarification sooner.</li> </ol>

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Circular no	Circular Title	Gist of the Circular
		<p><b>Charges</b> No charge is levied by NSDL on DPs for providing this facility to investors.</p> <p><b>Registration</b> This facility is available to investors who request for such a facility and provide their mobile numbers to the DPs. In case mobile numbers already given have changed, investors need to inform their DPs about the new numbers by way of written requests. Investors who have not yet provided their mobile numbers to their DPs can also avail this facility by intimating their mobile numbers to their DPs and submit a written request for this facility. This facility is not available to investors who have registered mobile numbers originating outside India. Thus, this facility will be available to the investors provided they have given their mobile numbers to their DPs and the DPs have captured the numbers in the computer system and have also enabled (ticked) the SMS flag in their system.</p> <p><b>Contact</b> The investors may contact their respective DPs in case they do not receive SMS alert inspite of registering for this facility. Those investors who have provided their mobile numbers to their DPs but do not wish to avail this facility may also inform their DPs. Terms and Conditions of the said facility enclosed in the said circular</p> <p>1.1 Definition 1.2 Availability 1.3 Process 1.4 Receiving Alerts 1.5 Withdrawal or Termination will have to intimate his/her Depository Participant accordingly. 1.6 Fees 1.7 Disclaimer 1.8 Liability</p> <p><b>Implications</b> Members to promote and extend the said facility to their respective investor base. Further members to preferably get the terms and conditions signed off for the SMS facility to ensure investor is clear about the privileges and disclaimers given by NSDL</p>
NSDL/POLICY/2008/0026, dated April 22, 2008	Launch of SMS Alert Facility for Investors for failed debit instructions	<p>As all Depository Participants (DPs) are aware, NSDL's SMS Alert facility for demat account holders enables investors to receive alerts for debits (transfers) to their demat accounts and credits in respect of corporate actions for IPO and offer for sale. With effect from April 15, 2008, SMS Alert facility for demat account holders has been further enhanced. Investors can now receive alerts in respect of debit instructions failed on account of insufficient balance (Rejection code 3166E i.e. Cancelled Overdue Status). The text of SMS alerts being sent to the account holders is as follows: "Ur reqst for transfer of _____ (number of shares) shares of _____ (Company Name/ISIN as the case may be) from demat a/c no _____ (Client ID) on _____ (date, dd/mm/yy) has failed due to insuff bal. Contact ur DP for details.NSDL" The revised details of this facility and the terms &amp; conditions thereof are given in the enclosed annexure.</p> <p><b>Implications</b> Additional facility of failed instructions intimation through SMS facility</p>
NSDL/POLICY/S	Extension in	DPs who have subscribed for <i>SPEED-e</i> have made representations to NSDL to extend the deadline time for submission of

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PEED-e/2008/0004, dated April 23, 2008	deadline time for submission of instructions for a given market type on SPEED-e	<p>instructions (pertaining to pay-in) by Clients on <i>SPEED-e</i> on the pay-in day. NSDL is pleased to announce the following changes with respect to deadline time for submission of pay-in instructions on <i>SPEED-e</i>, on the pay-in day based on the market type for below given stock exchanges, with effect from April 28, 2008</p> <table border="1"> <thead> <tr> <th>Name of the Stock Exchange</th> <th>Market Types</th> <th>Revised deadline time for submission of instructions (pertaining to pay-in) by Clients on <i>SPEED-e</i> on pay-in day</th> <th>NSDL deadline time for execution of instruction in the DPM System on pay-in day</th> </tr> </thead> <tbody> <tr> <td rowspan="3">NSE</td> <td>SLB First Leg, SLB Return Leg and SLB Auction Buy-in</td> <td>8.00 am</td> <td>9.00 am</td> </tr> <tr> <td>Normal, Auction Normal, Trade for Trade, Company Objection, Retail Debt Market, Bad Delivery, Institutional and MFSS T+3</td> <td>9.30 am</td> <td>10.30 am</td> </tr> <tr> <td>BSE</td> <td>SLB, SLB-R and Buy in Auction.</td> <td>8.00 am</td> <td>9.00 am</td> </tr> <tr> <td rowspan="3"></td> <td>Rolling Market Lot</td> <td>9.30 am</td> <td>10.30 am</td> </tr> <tr> <td>Auction Rolling</td> <td>11.00 am</td> <td>12.00 noon</td> </tr> <tr> <td>Company Objection</td> <td></td> <td>1.00 pm 4.00 pm</td> </tr> <tr> <td>CSE</td> <td>Rolling Market Lot and Auction Rolling</td> <td>9.30 am</td> <td>10.30 am</td> </tr> </tbody> </table> <p>DPs are requested to note as follows:</p> <ol style="list-style-type: none"> <li>In case there are multiple pay-ins of same market type for a stock exchange happening on the same day, in such a case, the deadline time of submission of instructions on <i>SPEED-e</i> on the pay-in day would be 8.00 am for all multiple pay-in of same market type.</li> <li>The deadline time for submission of instructions on <i>SPEED-e</i> for other stock exchanges remains unchanged i.e. submission deadline time on <i>SPEED-e</i> on the pay-in day would be 8.00 am.</li> <li>The deadline time for submission of instructions on <i>SPEED-e</i> with current date as execution date would be 6.30 pm, which remains unchanged.</li> <li>Instructions with future date as the execution date can be executed, even after 6.30 p.m.</li> <li>There is no change in the existing deadline for submission of instructions with current date as the execution date on</li> </ol>	Name of the Stock Exchange	Market Types	Revised deadline time for submission of instructions (pertaining to pay-in) by Clients on <i>SPEED-e</i> on pay-in day	NSDL deadline time for execution of instruction in the DPM System on pay-in day	NSE	SLB First Leg, SLB Return Leg and SLB Auction Buy-in	8.00 am	9.00 am	Normal, Auction Normal, Trade for Trade, Company Objection, Retail Debt Market, Bad Delivery, Institutional and MFSS T+3	9.30 am	10.30 am	BSE	SLB, SLB-R and Buy in Auction.	8.00 am	9.00 am		Rolling Market Lot	9.30 am	10.30 am	Auction Rolling	11.00 am	12.00 noon	Company Objection		1.00 pm 4.00 pm	CSE	Rolling Market Lot and Auction Rolling	9.30 am	10.30 am
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		<p><i>SPEED-e</i> by the Clients on Saturdays which is 3.00 p.m. DPs must ensure that all the instructions submitted by the Clients within the aforesaid deadline time are duly executed in the DPM System and in case DPs encounter any difficulty in downloading the instructions from <i>SPEED-e</i>, the same should be reported to Help Desk immediately.</p> <p><b>Implications</b> DPs are requested to take note of the above and inform the <i>SPEED-e</i> Users accordingly. This would facilitate smooth settlement of instructions for speed e users. Members to interface with back office and alert on shortages as per revised timings</p>
NSDL/POLICY/2008/0028, dated April 23, 2008	Generation of alerts as per 'Revised' criteria under Prevention of Money Laundering Act, 2002.	<p>Attention of Depository Participants (DPs) is invited to Circular no. NSDL/POLICY/2007/0070 dated November 12, 2007 regarding change in the criteria for generating alerts on the advise of Financial Intelligence Unit-India (FIU-IND) under Prevention of Money Laundering Act, 2002 (PMLA). DPs are requested to note that the criteria for generation of alerts with respect to point nos. (iii) and (iv) of the aforesaid circular have undergone changes. The revised criteria for generation of alerts is given below:</p> <ol style="list-style-type: none"> <li>i. Details of debits due to off-market or IDT transfers, involving 'x' or more shares or having value of Rs. 'y' and above, whichever is smaller, in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight.</li> <li>ii. Details of credits due to off-market or IDT transfers, involving 'x' or more shares or having value of Rs. 'y' and above, whichever is smaller, in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight.</li> <li>iii. Details of debit transactions involving 'w' or more shares or having value of Rs. 'y' and above, whichever is smaller, in a single transaction or series of transactions executed during the fortnight, in an account, in an ISIN, which exceed 10 times the average size of the transaction. For this purpose, average is calculated over the total number of securities in all ISINs debited in an account in the past 30 days.</li> <li>iv. Details of credit transactions involving 'w' or more shares or having value of Rs. 'y' and above, whichever is smaller, in a single transaction or series of transactions executed during the fortnight, in an account, in an ISIN, which exceed 10 times the average size of the transaction. For this purpose, average is calculated over the total number of securities in all ISINs credited in an account in the past 30 days.</li> <li>v. Details of all transactions involving 'w' or more shares in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight, in respect of the following transactions:             <ul style="list-style-type: none"> <li>o Demat ;</li> <li>o Remat and</li> <li>o Pledges.</li> </ul> </li> <li>vi. Details of credits due to off-market or IDT transfers, for more than 'v' transactions, in a single account executed during the fortnight.</li> <li>vii. Transactions in dormant accounts: Any debit transaction in the dormant account will be reported as alert. It may be mentioned that any account having no 'Debit' transaction in the last 6 months will be considered as 'Dormant' account for this purpose.</li> </ol>

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		<p>The revised alerts are effective from April 1, 2008, which will be sent to DPs on a fortnightly basis. DPs are also requested to take note of the following:</p> <ol style="list-style-type: none"> <li>i. DPs will be required to ascertain whether the transactions/alerts intimated by NSDL are of a suspicious nature and submit the report directly to The Director, FIU-IND, in the prescribed format, within seven working days of establishment of suspicion.</li> <li>ii. For the purpose of reporting suspicious transactions, attention of DPs is invited to formats enclosed with SEBI Circular No. ISD/CIR/RR/AML/2/06 dated March 20, 2006, which was circulated to DPs along with NSDL Circular no. NSDL/POLICY/2006/0025 dated July 17, 2006.</li> <li>iii. DPs are also advised to keep FIU-IND informed about the name, address, email-id and contact details of Principal Officer. Any change therein must also be intimated to FIU-IND &amp; NSDL.</li> </ol> <p><b>Implications</b></p> <p>Dp's to ensure due surveillance to review the alerts and ensure reporting of such instructions to FIU-IND within 7 days of such establishment of suspicion. The depository have further assisted in giving suitable alerts thereby increasing the onus of such review and reporting by DPs</p> <p><b>Previous Reference</b></p> <p>NSDL/POLICY/2007/0070, November 12 2007~ ISD/CIR/RR/AML/2/06 , March 20 2006~ NSDL/POLICY/2006/0025 , July 17 2006.</p>
NSDL/POLICY/2008/0029, dated April 26, 2008	Disablement of User IDs that are not complying to System Security Policy	<p>DPs to refer to NSDL Circular No. NSDL/POLICY/2008/0007 dated February 5, 2008 regarding Version 8.0 of DPM system. System Security Policy was enhanced to enforce segregation of duty i.e. maker and checker functions cannot be assigned to the same user. Further, vide circular no. NSDL/POLICY/2008/0021 dated April 4, 2008 regarding Version 8.2, DPs were also informed that User IDs not adhering to the aforesaid system security policy would be disabled by May 1, 2008.</p> <p>During these version releases, NSDL has taken care that existing User IDs and functional rights assigned to these User IDs based on segregation of duty are not modified or disabled in the DPM system so that:</p> <ol style="list-style-type: none"> <li>1. DPs may continue with their operations after the DPM system upgrade</li> <li>2. DPs may develop and implement appropriate policies for their internal operations</li> <li>3. DPs may configure the system security as per their needs while maintaining existing User IDs with minimum impact on the existing operations.</li> </ol> <p>DPs may use the report-containing list of Invalid User IDs that do not comply with the Security Policy or hold both Maker &amp; Checker rights to take corrective action by April 30, 2008.</p> <p>DPs may note that after May 1, 2008, all the User IDs not adhering to the system security policy would be disabled in the DPM system.</p> <p><b>Implications</b></p> <p>System Security Policy in version 8.0 was enhanced to enforce segregation of duty i.e. maker and checker functions cannot be assigned to the same user. This functionality is still not implemented by many DP's. It is in the interest of DP's to implement the said functionality at its earliest.</p> <p><b>Previous Reference</b></p> <p>NSDL/POLICY/2008/0007 , February 5 2008 ~ NSDL/POLICY/2008/0021, April 4 2008</p>

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CDSL/OPS/DP/1099, dated April 15, 2008	Securities Lending And Borrowing	<p>The procedure to be followed by DPs to handle activities / settlements related to Securities Lending and Borrowing [<b>SLB</b>] was conveyed vide referred circular.</p> <p>DPs are informed that the following new market types (for SLB-related transactions) will be required to be used for transfer of securities from CDSL accounts to NSDL Settlement accounts:</p> <ol style="list-style-type: none"> <li>1. BSE SLB-L JJ Lend</li> <li>2. BSE SLB-R KK Return</li> <li>3. BSE Buy-in Auction LL Return Auction</li> <li>4. NSE SLB First Leg JJ Lend</li> <li>5. NSE SLB Return Leg KK Return</li> <li>6. NSE Auction Buy-in LL Return Auction</li> </ol> <p>The settlement number to be entered for BSE / NSE SLB-related settlements would be a 9-digit settlement number. DPs are advised to note that BSE / NSE SLB-related settlements pertaining to <b>SLB</b> would have to be entered in the CDSL system based on the following logic:</p> <ol style="list-style-type: none"> <li>a. First two alphabet (1 and 2) – Market type                             <ul style="list-style-type: none"> <li><input type="checkbox"/> “Lend” JJ</li> <li><input type="checkbox"/> “Return” KK</li> <li><input type="checkbox"/> “Return Auction” LL</li> </ul> </li> <li>b. Next four digits (3, 4, 5 and 6) would be the year of the settlement i.e. in the case of NSE-related transactions - 2008 for calendar year 2008 and in the case of BSE related transactions - 0809 for the financial year 2008-09.</li> <li>c. The last 3 digits (7, 8 and 9) would be Settlement Number (The three digit number given by BSE / NSE)</li> <li>d.</li> </ol>
		<p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Market type and settlement number unique combination for SLBM instruction settlements.</li> <li>▪ DPs interface with broking back office to be created for the said functionality</li> </ul>
		<p><b>Previous Reference</b></p> <p>CDSL/OPS/DP/1031, January 25 2008</p>
CDSL/OPS/DP/1100, dated April 16, 2008	Securities Lending And Borrowing (SLB)	<p>This has reference to captioned communiqués wherein procedures to be followed by DPs to handle activities / settlements related to the <b>SLB</b> were explained in detail.</p> <p>In this regard, DPs are advised to refer communiqué no. CDSL/OPS/DP/1031 dated January 25, 2008 containing the procedures explained for:</p> <ol style="list-style-type: none"> <li>a) BSE Clearing Member, and</li> <li>b) NSE Clearing Member</li> </ol> <p>Further, DPs are specifically advised to refer the procedure to be followed by the NSE Clearing Member wherein Auto pay-in /</p>

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		<p>swipe from Pool account WILL NOT BE applicable for CMs in case of SLB-related transactions as any shares lying in the pool account without corresponding 'BO confirmation transaction' initiated by the CM from the pool account will be treated as not available for the said settlement / Pay-in.</p> <p>DPs are also advised to refer communiqué no. CDSL/OPS/DP/1078 dated March 26, 2008 mentioning that Short Selling and SLB Scheme would be operationalized from <b>Monday, April 21, 2008</b>. DPs are advised to refer to settlement calendars for the settlement schedule pertaining to the SLB settlements.</p> <p><b>Implications</b></p> <p>Members to specifically ensure back offices are changed to take care of Auto pay-in / swipe from Pool account which will not be applicable for CMs in case of SLB-related transactions</p> <p><b>Previous Reference</b></p> <p>CDSL/OPS/DP/1015, January 8 2008 ~ CDSL/OPS/DP/1031, January 25 2008 ~ CDSL/OPS/DP/1034 , January 28 2008 ~ CDSL/OPS/DP/1036, January 30 2008~ CDSL/OPS/DP/1078 , March 26 2008.</p>
CDSL/OPS/DP/101, dated April 16, 2008	Closure Of DP Operations Of Pratik Stock Vision Private Limited	<p>DPs are advised to note that Pratik Stock Vision Private Limited (PSVPL) [DPID 20200], a DP of CDSL has informed CDSL that it intends to close down its depository operations.</p> <p>DPs are advised to take note of the same.</p> <p><b>Implications</b></p>
CDSL/OPS/DP/102, dated April 16, 2008	Submission / Dissemination Of Dp Tariff / Charges Structure	<p>Submission-To Cdsl Every Year (Through Dp Login In Cdsl's Website)</p> <p>DPs are advised to refer to communiqué no. CDSL/OPS/DP/1090 dated April 04, 2008 wherein DPs were advised to:</p> <ul style="list-style-type: none"> <li>Upload their tariff/charges structure to CDSL's website <b>before April 30, 2008</b> and simultaneously submit a hard copy of the same, <b>in writing</b>, to CDSL, <b>on the DP's letterhead</b>, for approval thereof.</li> <li>As and when a revision in their tariff structure is effected thereafter, the revised tariff structure should be updated as per instructions in communiqué no. CDSL/OPS/DP/851 dated February 22, 2007.</li> <li>It is clarified that if there is no change in the DPs' tariff structure as uploaded by them, DPs are required to send a communication to CDSL to that effect before <b>April 30, 2008</b>.</li> </ul> <p>Annexure- <a href="http://www.cdslindia.com/publication/dplist.jsp">http://www.cdslindia.com/publication/dplist.jsp</a>- Comparative List of DP fees</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>Upload of DP tariff structure mandatory prior to 30<sup>th</sup> April 2008 and communication of no change in case the tariff structure is same as that of previous year</li> </ul> <p><b>Previous Reference</b></p> <p>CDSL/OPS/DP/1090 dated April 04, 2008~ CDSL/OPS/DP/851 dated February 22, 2007</p>
CDSL/OPS/DP/103, dated April 22, 2008	Monitoring Of Pan Verification Carried Out By Dps	<p>DPs are advised to refer to communiqué no. CDSL/OPS/DP/970 dated October 12, 2007 regarding procedures to be followed for verification of PAN details furnished by BOs.</p> <p>DPs are advised to diligently review the reports uploaded by CDSL in their Billing Folder in CDAS i.e. BLNG&lt;DPID&gt;_PAN_DMMYY and to take appropriate action to rectify discrepancies, wherever necessary.</p>

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		<p>DPs are, once again, cautioned to exercise due diligence in PAN verification for BO accounts serviced by them.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Mismatch in PAN if any is reported by CDSL and members to ensure fastest turnaround on the discrepancy to avoid any penal implication</li> </ul> <p><b>Previous Reference</b></p> <p>CDSL/OPS/DP/970, October 12 2007</p>
CDSL/AL&C/DP/1104, dated April 22, 2008	Insurance Policy For Securities	<p>DPs are aware that a Comprehensive Crimes and Liability Policy is obtained by CDSL to cover CDSL and its DPs against the risks associated with depository business. The insurance premium is charged to each DP based on criteria prescribed under Operating Instruction 12.4 as under: DP OPERATING INSTRUCTIONS, Chapter 12 12.4 Insurance Premium Insurance Premium will be charged to each DP based on:-</p> <ul style="list-style-type: none"> <li>▪ Premium charged to CDSL by the Insurance Company</li> <li>▪ Insurance Claims History</li> <li>▪ Compliance Level</li> <li>▪ A DP wishing to terminate its agreement with CDSL, to pay the annual premium then prevailing, to cover claim for next one year, immediately succeeding the year of withdrawal of the DP.</li> </ul> <p>CDSL is pleased to inform its DPs that in view of increase in the number of accounts, transactions and value of securities held with CDSL, the insurance cover has been increased from Rs.25 crores to Rs.50 crores with one free reinstatement. But, the base insurance premium charged to DPs has only been increased by Rs.5,000/- from Rs.32,500/- for 2007-08 to Rs.37,500/- for 2008-09. DPs are advised to note that the amount to be recovered on account of insurance will be included in the annual bill.</p> <p><b>Implications</b></p> <p>Increase in coverage by 25 crores whereas premium increased only by Rs 5000/-</p>

MCX		
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MCX/MEM/132/2008, dated April 15, 2008	Change in Shareholding/Share pattern of Members	<p>In continuation of circular no. MCX/150/2006 dated April 06, 2006 and circular no. MCX/MEM/151/2007 dated April 20, 2007 Members are required to note the following: Prior Approval is not required for change in shareholding (for Corporates) /sharing pattern (partnership firms) if such change does not</p> <ul style="list-style-type: none"> <li>▪ Alter the shareholding/share of Dominant Promoter Group (DPG) constituents in percentage terms,</li> <li>▪ lead to addition or deletion of a Dominant Promoter Group (DPG) constituent and</li> <li>▪ Result in change of management/ control.</li> </ul> <p>No charges will be levied to exchange in such cases. For such cases members are required to submit documents in the prescribed format which is available at <a href="http://www.mcxindia.com">www.mcxindia.com</a> under the link Membership &gt;Continuing Compliances-Membership Related&gt;Changes in Shareholding /Sharing pattern not</p>

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		<p>involving change in DPG which should be intimated to the exchange within 21 days of carrying out the change of shareholding/share in such cases.</p> <p>For cases other than mentioned above the existing requirements will continue to be applicable. The prescribed formats are available at <a href="http://www.mcxindia.com">www.mcxindia.com</a> having the same path as mentioned above.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>Member are not required to take prior permission from the exchange in case of change in shareholding pattern where in such change does no alter the share holding of DPG constituents in percentage terms and does not lead to addition or deletion of a DPG and does not result in any alteration in management or control.</li> <li>However members are required to intimate the exchange within 21 days of carrying out such changes.</li> </ul> <p><b>Previous Reference</b></p> <p>MCX/150/2006 , April 06, 2006 ~ MCX/MEM/151/2007, April 20, 2007</p>
MCX/T&S/149/2008, dated April 23, 2008	Inactive Clients	<ul style="list-style-type: none"> <li>The Forward Market Commission has directed the Exchange to advise Members to a watch on inactive client codes which are not in operation for six months.</li> <li>It is also directed that members should not accept trades from such inactive client accounts without obtaining written requests from clients to reopen accounts along with fulfilling all formalities of KYC.</li> <li>Members are informed that any trade entered in such inactive account shall be treated as proprietary trades of members for practical purposes.</li> <li>This is without prejudice to any other actions that may be taken against the member by the Exchange or the FMC for misuse of client UCC.</li> </ul> <p><b>Implications</b></p> <p>Members to ensure to compliance with KYC procedures and obtain written consent from clients which are inoperative for 6 months before entering trades for such clients.</p> <p>Non compliance with the requirement or trades entered for inactive client shall be treated as proprietary trades further action may be taken against the member for misuse of client UCC.</p> <p>The above would also ensure sufficient due diligence of inactive client re- registration</p>
MCX/TECH/148/2008, dated April 23, 2008	Introduction of RSA Hardware Token for Internet Trading	<ul style="list-style-type: none"> <li>Members are informed that Exchange is in the process of introducing - Two Factor Authentication for Internet trading users to provide better and secure mode of connectivity of trading</li> <li>RSA Secure ID two-factor authentication comprises of a password or PIN and an authenticator.</li> <li>For login on to the system user needs to key in the username &amp; password and the one time password (OTP) generated by the RSA hardware token which changes every minute. Hence only after providing the correct username-password along with a valid OTP the user will be allowed to login for trading.</li> <li>Internet trading users are required to migrate to RSA hardware token in a phased manner. Implementation schedule and migration plan will be communicated to Members</li> <li>Exchange will dispatch Hard Copy of RSA hardware token kit through courier to their respective address. The kit will contain User Manual, MCX RSA hardware token and list of users who need to use RSA hardware token. The Soft copy of User Manual is available on the web site <a href="https://trading.mcxindia.com">https://trading.mcxindia.com</a> under "Help" tab.</li> <li>To avail such facility Member shall be charged a sum of Rs 4000/- per token (per user) towards the activation, maintenance</li> </ul>

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		<p>and logistics of the RSA hardware token.</p> <ul style="list-style-type: none"> <li>The RSA hardware token shall be valid up to the expiry date shown on the back of the token, and thereafter the same shall be re-validated and issued to the members as per the applicable charges at the time of re-validation. RSA token is not interchangeable between users.</li> <li>However when a user becomes inactive, the RSA hardware token can be re-validated for another user at a charge of Rs.2000/- per token. The re-validated token can be used till the end of its validity period.</li> <li>The charges for the RSA hardware token shall be debited from the member's settlement account on delivery of the RSA hardware token kit.</li> </ul> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>With a view to provide secured mode of connectivity to Internet trading user having two factor authentication. User will be allowed to login only after providing the correct username-password along with a valid OTP.</li> <li>Members are required to migrate to RSA hardware token in a phased manner.</li> </ul>
MCX/MEM/150/2008, dated April 24, 2008	Change in Shareholding/Shareholding pattern of Members	<p>In continuation of the referred circulars members are required to pay Annual Subscription and Annual Minimum Transaction charges latest by April 30, every year</p> <p>The Annual Minimum Transaction charges to be paid by different categories of members for the financial year 2008-2009 are as follows:-</p> <p>Category of Member – Annual Subscription – Annual Advance Minimum Transaction charges</p> <ul style="list-style-type: none"> <li>Trading – cum-Clearing Member-75000- 100000</li> <li>Institutional Trading –cum- Clearing Member 100000-100000</li> <li>Professional Clearing Member 100000-100000</li> <li>Trading Member 10000-0.00</li> </ul> <p>Members are required to pay demand draft Payable in favour of Multi Commodities Exchange of India limited payable at Mumbai or furnish a debit instruction in writing for debiting their Settlement Account by May 07,2008 to Accounts Department toward Annual Subscription and Annual Minimum Transaction charges</p> <p>Member failing to pay such charges on or before May 07,2008 the Exchange may at its discretion debit the settlement account of the respective members after market hours on May 07,2008.</p> <p>In case settlement account has insufficient funds or non payment such charges, interest @ 18% will be charged on the balance payable till such time the default continues.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>Members are required to make payment to the exchange towards annual Subscription and Annual advance Minimum Transaction Charges based on the category of Membership.</li> <li>Members to ensure payment of the aforesaid charges either by demand draft or to ensure sufficient availability of funds in their settlement account latest by May 07, 2008 to avoid payment of penalty.</li> </ul> <p><b>Previous Reference</b></p> <p>MCX/MEM/026/2007 ,dated January 17, 2007~ MCX/MEM/262/2007, dated July 27, 2007</p>

NCDEX		
Circular no	Circular Title	Gist of the Circular
NCDEX/LEGAL-001/2008/088, dated April 16, 2008	Compliance of State laws for delivery obligations	<ul style="list-style-type: none"> <li>▪ Members were earlier informed regarding the control orders under the Essential Commodities Act, 1955 issued by the Delhi Government prescribing the maximum stock limit for pulses which any person may hold and also the requirement to obtain license for holding stock of pulses.</li> <li>▪ Members are hereby informed that any person who has the obligation to give or take physical delivery of any commodity on the Exchange platform are required to ensure compliance of the applicable State laws for giving/taking physical delivery.</li> <li>▪ Accordingly, Members to advise their clients that the stocks of any essential commodity held by them in demat account and/or otherwise should not exceed the stock limits prescribed under the applicable control orders issued under Essential Commodities Act, 1955.</li> <li>▪ Members should also ensure and advise their clients (who intend to give delivery, particularly at centers where such stock limits are in force) that it is the obligation of selling clients to ensure that the goods are free for physical delivery and transfer to the corresponding buyer/s.</li> </ul> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>▪ Member to ensure compliance with the stock limits as prescribed under the Essential Commodities Act, 1955.</li> <li>▪ Further Members to ensure advising their clients (who intend to give delivery, particularly at centers where such stock limits are in force) that it is the obligation of selling clients to ensure that the goods are free for physical delivery and transfer to the corresponding buyer/s.</li> </ul> <p><b>Previous Reference</b></p> <p>NCDEX/LEGAL-004/2007/121 ,dated May 11, 2007</p>
NCDEX/COMPLIANCE-002/2008/093, dated April 17, 2008	Annual Compliance Report for FY 2007-08	<ul style="list-style-type: none"> <li>▪ Members are required to conduct an annual review of their business to assist them in complying with provisions of the Bye Laws, Rules and Regulations of the exchange.</li> <li>▪ For Members registered or activated on or before March 31, 2008 are required to submit an Annual Compliance Report for the Year ended March 31, 2008 as per format enclosed to this circular.</li> <li>▪ Annual Compliance report should be submitted to the Exchange Latest by July 31, 2008</li> <li>▪ Failure to submit the Report Latest by July 31, 2008 the same would be treated as non compliance and shall attract a penal charge of Rs100/- per day until the report is submitted.</li> </ul> <p>The Annual Compliance Report covers the following areas of compliance requirements</p> <ul style="list-style-type: none"> <li>▪ Books of Accounts, Records and Documents</li> <li>▪ Banking Operations</li> <li>▪ Dealings With Clients</li> <li>▪ Dealings with Intermediaries</li> <li>▪ Contract Notes</li> <li>▪ Margins</li> <li>▪ Membership Requirements</li> <li>▪ Office Management</li> <li>▪ Other</li> </ul> <p><b>Implications</b></p> <p>Member to ensure timely submission of Annual Compliance report in prescribed format. Non submission of Annual Compliance</p>

NCDEX		
Circular no	Circular Title	Gist of the Circular
		report shall attract a penal charge of Rs 100/- per day until submission of such report.
NCDEX/CLEARING-012/2008/094, dated April 17, 2008	Revision of Fixed Charges	With effect from May 01, 2008 Trading and Clearing Members are informed that the Fixed charges for fresh deposit and revalidation for CDSL and NSDL is revised at Rs.250/-  All other charges to remain unchanged.
		<b>Implications</b>
		<ul style="list-style-type: none"> <li>The Fixed Charges for fresh deposit and revalidation for CDSL and NSDL is revised to Rs250/-</li> </ul>

RBI		
Circular no	Circular Title	Gist of the Circular
RBI/2007-08/280 DGBA.GAD. No. H. 10875 / 42.01.038 /2007-08, dated April 10, 2008	Mandatory electronic payment of tax by certain Categories of taxpayers w.e.f. 1.4.2008	With effect from April 1,2008 Central Board of Direct Taxes have made electronic payment of taxes mandatory for following category of tax payers: a. Company b. A person (other than a company) to whom provisions of Section 44AB is applicable. Following Instructions are required to be noted when implementing government notification: 1. All corporate taxpayers can be identified as the 4th digit of the PAN for all corporate assessee would necessarily be "C". Hence at the time of accepting Physical challans from such assessee should not be accepted across the counter. 2. For tax payers falling under Section 44 AB there is not proof of their eligibility hence the responsibility of making e- payment lies with taxpayer. 3. Acknowledgement for e-payment should be made available immediately on screen by the bank concerned. 4. The Transaction id of e-payment should be reflected in the bank's statement. 5. Each bank to display on its e-payment gateway page, the officials who can be contacted in case there is any difficulties faces at the time of executing the transaction. 6. Each bank should give the ITD and NSDL a list of officials with contact particulars, to be contacted if required for any problems faced by ITD or taxpayers.
		<b>Implications</b>
		E- Payment of taxes is mandatory for Companies and tax payers falling under Section 44 AB. Banks are required to provide and acknowledgment to tax payers immediately on the payment gateway as well as provide contact details of officials in case of any problems issued at the time of executing transactions.
		<b>Previous Reference</b>
		Notification No. 34/2008 ,dated 13-3-2008
RBI/2007-08/303 A.P. (DIR Series) Circular No.41, dated April 28, 2008	Foreign investment in Commodity Exchanges - Amendment to the	Authorised Category -I Banks to refer to section I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time. In consultation with Government of India is has been decided to allow Foreign investment in Commodities Exchange subject to the following conditions:

RBI		
Circular no	Circular Title	Gist of the Circular
	Foreign Direct Investment Scheme	<ol style="list-style-type: none"> <li>1. A composite ceiling of 49% with FDI limit of 26% and FII Limit of 23%</li> <li>2. FDI will be allowed only after taking specific approval from the Government.</li> <li>3. Purchases by FII shall be restricted only to secondary markets.</li> <li>4. Foreign Investment shall be allowed subject to compliance with regulations issued by Forward Market Commission.</li> </ol>
		<b>Implications</b>
		Foreign Investment will be allowed Commodities Exchange subject to a ceiling limit of 49%. Foreign Investment will allowed only after compliance with the requirements laid down by Forward Market Commission.
		<b>Previous Reference</b>
		FEMA Notification No. 20/2000-RB dated, May 3, 2000
RBI/2007-2008/302 A.P. (DIR Series) Circular No.40, dated April 28, 2008	Foreign investment in Credit Information Companies - Amendment to the Foreign Direct Investment Scheme	<p>Authorised Category -I Banks to refer to section I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time.</p> <p>In consultation with Government of India is has been decided to allow Foreign investment in Credit Information Companies subject to the following point and in compliance with the Credit Information Companies (Regulations) Act 2005</p> <ol style="list-style-type: none"> <li>5. Aggregate Foreign Investment in Credit Information Companies would be 49%</li> <li>6. Foreign Investment upto 49% would be allowed only with the prior approval of FIPB and regulatory clearance from RBI.</li> <li>7. Investment by SEBI Registered FIIs would be permitted only through purchases in the secondary market to an extent of 24%.</li> <li>8. Investment by SEBI Registered FIIs would be within the overall limit of 49% for Foreign Investment.</li> <li>9. No FII can individually hold directly or indirectly more than 10% of the equity.</li> </ol>
		<b>Implications</b>
		Foreign Investment will be allowed in Credit Information Companies however shall be allowed only upto 49% with prior approval form FIPB. FII registered with SEBI shall be permitted to purchase through secondary market only to an extent of 24%. Further each FII can directly or indirectly only hold 10% of equity of a Credit Information company.
		<b>Previous Reference</b>
		FEMA Notification No. 20/2000-RB dated, May 3, 2000