Ref: 11-12/ISS/ 560 /KS
August 1, 2011,

All Registered Intermediaries of ISS (RIs)

Dear Sir / Madam,

Sub. : <u>**NSE / BSE Circulars dated July 29, 2011 on Modification of Client Codes of Non- Institutional Trades (All Segments)**</u>

Please find enclosed herewith NSE Circular Ref. No: NSE/INVG/2011/18484 dated July 29, 2011 and BSE Notice No. 20110729-24 dated July 29, 2011.

Members are cautioned on the above captioned circulars of NSE / BSE and remember that any client code modification would attract penalty.

Please note that NSE / BSE levies penalty once in a month and the same will be passed on to sub-brokers / clients on a monthly basis.

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

Thanking you,

Yours faithfully
For ISE SECURITIES AND SERVICES LTD.

Kevin M. N. Sunder
Sr. Manager, Custody Department

Encl: NSE /BSEI circulars as referred above.

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/DNPD/6/2011   July 05, 2011

To
Managing Director/ Chief Executive Officer
Recognised Stock Exchanges

Dear Sir/Madam,

Sub: Modification of Client Codes of Non-institutional Trades Executed on Stock Exchanges (All Segments)

1. In consultation with BSE, MCX-SX, NSE and USE, it has been decided that the Stock Exchanges may allow modifications of client codes of non-institutional trades only to rectify a genuine error in entry of client code at the time of placing / modifying the related order.

2. If a Stock Exchange wishes to allow trading members to modify client codes of non-institutional trades, it shall

   a. lay down strict objective criteria, with the approval of its Governing Board, for identification of genuine errors in client codes which may be modified, and disclose the same to market in advance,
   b. set up a mechanism to monitor that the trading members modify client codes only as per the strict objective criteria, and
   c. ensure that modification of client codes is covered in the internal audit of trading members prescribed by SEBI through its Circular No MRD/DMSCir-29/2008 dated October 21, 2008.

3. Notwithstanding the above,
   A. the Stock Exchanges shall levy a penalty from trading members and credit the same to its Investor Protection Fund as under:

'a' as % of 'b'	Penalty as % of 'a'
≤ 5	1
> 5	2

Where
a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.
b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

B. The Stock Exchange shall conduct a special inspection of the trading member to ascertain whether the modifications of client codes are being carried on as per the strict objective criteria set by the Stock Exchange, as directed in Para 2 above, if 'a' as % of 'b', as defined above, exceeds 1% during a month and take appropriate disciplinary action, if any deficiency is observed.

4. SEBI shall examine implementation of this circular during inspection of the Stock Exchange.

5. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

6. This circular supersedes the circular No. CIR/DNPD/01/2011 dated January 3, 2011 and shall come into force from August 1, 2011.

7. This circular is available on SEBI website at www.sebi.gov.in under the category "Derivatives- Circulars".

Yours faithfully,

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

INVESTIGATON DEPARTMENT
Circular No. 653

Ref. No.: NSE/INVG/2011/18484   July 29, 2011

Dear Members,

Sub: Modification of Client Code of Non- Institutional Trades (All Segments)

This is with reference to SEBI circular ref. no. CIR/DNPD/6/2011 dated July 5, 2011 (copy enclosed) regarding modification of Client Codes of Non-Institutional trades. As per the SEBI circular, the following monthly penalty will be applicable on all client code modifications of non-institutional trades (all segments) with effect from August 1, 2011:

'a' as % of 'b'	Penalty as % of 'a'
≤ 5	1
> 5	2

Where,

a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month.

b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

The Exchange has provided the facility of client code modification only to rectify genuine errors. Further, as per point 2 (a) and 3 (B) of the SEBI circular dated July 5, 2011, the following client code modifications would be considered as genuine modifications, provided there is no consistent pattern in such modifications:

 i. Where original client code/name and modified client code/name are similar to each other but such modifications are not repetitive.

ii. Where original client code and modified client code belong to a family. (Family for this purpose means spouse, dependent parents, dependent children and HUF)

Trading members are required to take adequate precautions while placing the orders.

This circular will replace the existing penalty structure for client code modifications and shall be effective from August 1, 2011.

Members are advised to take note of the same and ensure necessary compliance. For any clarifications, members are advised to contact Mr. Avinash Kharkar or Mr. Bharat Patil on 022-2659 8366.

For National Stock Exchange of India Ltd.

Nisha Subhash

Assistant Vice President
Investigation Department
Encl: As above

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Notices

Notice no :	20110729-24	**Notice date :**	**Friday, July 29, 2011**
Category :	**Compliance**	**Segment :**	**General**
Subject :		Modification of client codes of non-institutional trades executed on Stock Exchanges (All Segments)	

Content

This is further to Exchange Notice no. 20110706-1 dated July 06, 2011 on the captioned subject.

Vide aforesaid notice the members were informed that SEBI vide Circular No. CIR/DNPD/6/2011 dated July 05, 2011 decided that, Exchanges may allow modifications of client codes of non-institutional trades only to rectify genuine error in entry of client code at the time of placing/modifying the related order. SEBI also decided that if an Exchange wishes to allow trading members to modify client codes on non-institutional trades, it shall lay down strict objective criteria for identification of genuine errors in client codes which may be modified and monitor that the trading members modify client codes only as per the strict objective criteria.

Accordingly, the objective criteria for identifying genuine errors for client code modification of non-institutional trades and guidelines for the implementation of the SEBI circular are as given below :

1. Members are strictly advised to modify client codes of non-institutional trades only to rectify genuine error in entry of client code at the time of placing / modifying the related order.

2. As per the direction of SEBI in the said circular, BSE has prescribed the following strict objective criteria for identification of genuine errors in entry of client codes of non-institutional trades for all segments. Members are permitted to change client codes of non-institutional clients only for the following criteria

(a) Punching error / typing error of client codes
(b) Trade entered for wrong client due to communication error

(c) Modification within family members

(d) Institutional trades modified to broker error account

3. Further, the members are required to inform the Exchange (through BEFS), on a daily basis by end of day, the reasons for modification of client codes of non-institutional trades based on the aforesaid objective criteria. For this purposemembers will be downloaded data after 6.30 p.m. everyday in the BEFS system, containing details of non-institutional trades modified by them during the day. The member has to select any one of the above mentioned four objective criteria for each of the modified trade, details of which is given in the BEFS system and submit the completed file to the Exchange by end of day. A User Manual detailing procedure to be followed for giving reason for modification of client code to the Exchange is attached as **Annexure-1**.

4. In case the member fails to give reason (by selecting one out of the aforesaid objective criteria) for modification of any of the non-institutional trades on the day of trade itself, the same will be considered as modification for purposes other than genuine error. In all such cases, member shall become liable for penalty/action, which shall be informed to the members shortly. This penalty/action shall be in addition to the penalty which would be levied on the member, as per the aforesaid SEBI circular, for modification of client codes of all the non-institutional trades.

5. Penalty for all cases of modification of client codes of non-institutional trades executed on the Exchange shall be, 1% of value of non-institutional trades modified if value of non-institutional trades modified as a percentage of total value of non-institutional trades executed is less than or equal to 5% and penalty of 2% if modification exceeds 5%, in a segment during a month.

6. The Exchange shall conduct a special inspection of the trading members if modification exceeds 1% of the value of trades executed during a month and take appropriate disciplinary action, if any deficiency is observed.

7. Members are strictly advised to modify client codes of trades only to rectify genuine error in entry of client code at the time of placing / modifying the related order and also inform the Exchange on the day of trade itself, reasons for modification of client codes of non-institutional trades based on the objective criteria as indicated above. Members are strictly advised not to modify any client code in their back-office system. Further, the Exchange shall not entertain any letter/intimation/request from the members for modification of client code after the close of the modification window provided by the Exchange.

8. The aforesaid guidelines shall be applicable for all the segments w.e.f. August 01, 2011.

In case of any queries / clarification, members may contact the under mentioned officials :

NAME	INTERCOM NO.
For system related queries only	022- 6136 3100
Ms. Priya Pillai	2272 8598

Mr. Wilbur Fernandes	2272 8052
Mr. Chirag Udani	2272 8724

Devika Shah   Mitesh Thakkar
Sr. Gen. Manager   Asst. Gen. Manager
Surveillance & Supervision   Surveillance & Supervision

The Attachment files

Annexure-1.doc

Certain scanned images /attachments may not be clear due to poor quality of documents received. Please contact the Exchange for any further clarifications.

THIS IS A COMPUTER GENERATED NOTICE AND DOES NOT REQUIRE SIGNATURE

Best viewed @ 1024 x 768 screen size | Disclaimer

STEPS FOR SUBMITTING REASONS FOR CLIENT CODE MODIFICATION THRU′ BEFS SYSTEM

GO TO : http://connect.bsewebx.co.in

MEMBER LOGIN:

The following screen appears when the member login into the application.

CLIENT CODE **MODIFICATION:**

Clicking on the client code modification, sub menu client code modification appears. Click on the client code modification sub menu the following screen appears.

Member No					Member Name							
From Trade Date	28/07/2011				To Trade Date	28/07/2011		SHOW				

Reason		OldClient	New Client	Scrip Code	CA Class	New CA Class	Quantity	Rate	BuySell	OrderID	TradeID	TraderID	TraderDat
Select	▼	N975	R63865	532848	CLIENT	CLIENT	100	109.9	S	20000025005059	11172	208	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	300	9.29	S	18000067002166	1013	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	100	9.29	S	18000067002166	1014	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	1	9.29	S	18000067002166	1015	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	1	9.29	S	18000067002166	1016	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	50	9.29	S	18000067002166	1017	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	500	9.24	S	18000067002166	1035	554	28/07/2011
Select	▼	T8993	T8993	533400	CLIENT	CLIENT	3500	9.24	S	18000067002166	1047	554	28/07/2011
Select	▼	V39412	V35612	507747	CLIENT	CLIENT	24	491	S	13000096013276	8770	983	28/07/2011

☐ UnderTaking :: "We Undertake That All Modifications Done On The BOLT Today Have Been As A Result Of Genuine Punching Error Or Wrong Data Entry And Confirm That The Modifications Were Done For The Reasons Stated Above.

SUBMIT

Note - All date inputs should be in dd/mm/yyyy format   *   REQUIRED FIELDS

BEFS

Select the Reason against the trade in which the modification is done.

Reason	OldClient	New Client	Scrip Code	CA Class	New CA Class	Quantity	Rate	BuySell	OrderID
Punching error/typing error of client codes	N975	R63865	532848	CLIENT	CLIENT	100	109.9	S	20000025005059
Punching error/typing error of client codes	T8993	T8893	533400	CLIENT	CLIENT	300	9.29	S	18000067002166
Trade entered for wrong client due to communication error	T8993	T8893	533400	CLIENT	CLIENT	100	9.29	S	18000067002166
Trade entered for wrong client due to communication error						1	9.29	S	18000067002166
Punching error/typing error of client codes						1	9.29	S	18000067002166
Punching error/typing error of client codes						50	9.29	S	18000067002166
Select						500	9.24	S	18000067002166
Select						3500	9.24	S	18000067002166
Select						24	491	S	13000096013276

Member No _____   **Member Name** _____

From Trade Date 28/07/2011   **To Trade Date** 28/07/2011   SHOW

Windows Internet Explorer

⚠ click on undertaking checkbox before clicking on submit button....!'

OK

☐ UnderTaking :: "We Undertake That All Modifications Done On The BOLT Today Have Been As A Result Of Genuine Punching Error Or Wrong Data Entry And Confirm That The Modifications Were Done

SUBMIT

After selecting reason for all the trades modified, click on the check box of Undertaking before clicking on the Submit button. If the Undertaking checkbox is not checked and submit button is clicked, the screen will display the above message.

When member clicks on submit button a prompt will appear "Please ensure that reason is submitted for all client code modifications else penalty as per notice dated 29/07/2011 will be levied". At this time, member should verify whether reasons for all the modifications are given.

After Clicking on "OK", The message 'Successfully Updated' will appear.

Member No						Member Name			
From Trade Date	28/07/2011			To Trade Date	28/07/2011		SHOW		

Reason	OldClient	New Client	Scrip Code	CA Class	New CA Class	Quantity	Rate	BuySell	OrderID	TradeID	TraderID	TraderDat
Punching error/typing error of client codes ▼	N975	R63865	532848	CLIENT	CLIENT	100	109.9	S	20000025005059	11172	208	28/07/2011
Punching error/typing error of client codes ▼	T8993	T8893	533400	CLIENT	CLIENT	300	9.29	S	18000067002166	1013	554	28/07/2011
Trade entered for wrong client due to communication error ▼	T8993	T8893	533400	CLIENT	CLIENT	100	9.29	S	18000067002166	1014	554	28/07/2011
Trade entered for wrong client due to communication error ▼	T8993	T8893	533400	CLIENT	CLIENT	1	9.29	S	18000067002166	1015	554	28/07/2011
Punching error/typing error of client codes ▼	T8993	T8893	533400	CLIENT	CLIENT	1	9.29	S	18000067002166	1016	554	28/07/2011
Punching error/typing error of client codes ▼	T8993	T8893				50	9.29	S	18000067002166	1017	554	28/07/2011
Institutional trades modified to broker error account ▼	T8993	T8893				500	9.24	S	18000067002166	1035	554	28/07/2011
Institutional trades modified to broker error account ▼	T8993	T8893				3500	9.24	S	18000067002166	1047	554	28/07/2011
Select ▼	V39412	V35612				24	491	S	13000096013276	8770	983	28/07/2011

Message from webpage ✕

⚠ Successfully Updated

[OK]

☐ UnderTaking :: "We Undertake That All Modifications Done On The BOLT Today Have Been As A Resu...ntry And Confirm That The Modifications Were Done For The Reasons Stated Above.

[SUBMIT]

Note - All date inputs should be in dd/mm/yyyy format   ' REQUIRED FIELDS

BEFS