

Policy on Client Code Modifications:

1. The modification to the client code is to be done only in exceptional cases and not as a routine one.
2. The reason for modification has to be ascertained and analysed and genuineness as per CIR / 18716 / Dated 26.08.2011 (Which is Annexed here) is to be established and also it's impact on the clients should be studied before the modification. If voice recording is in practice, the same should be studied.
3. Normally as a principle, other than for punching errors, no modification to the client codes be allowed.
4. Therefore it is imperative that the issue should be reported to the senior level Manager/Director and only with his approval, the modification should be carried after being satisfied that it is genuine, the same is required to be done to protect the interests of the client.
5. Hence the facility to modify the client codes should be available only at the Corporate Manager level and should not be given to the branches/franchise/sub-brokers.
6. Training program should be conducted to all the Dealers and they should be explained how code modifications can be misused and what steps should be taken to avoid the same. It also should be explained that code modifications should not be encouraged to the clients except for cases like 'punching errors'/'typing errors'.
7. A report is to be maintained for recording all the code modifications with details like error code, correct code, scrip name quantity, client name, the name of the dealer who punched the code, the explanation of the dealer/Branch Manager, the 'analysis /study' of the authorised Manager and his approval/disapproval for modification.
8. Finally the decision of the authorised Manager should be ratified later by the Director.

INVESTIGATION DEPARTMENT

Circular Ref. No.: NSE/INVG/2011/670

Download Ref. No.: NSE/INVG/2011/18716

August 26, 2011

Dear Members,

Sub: Modification of Client Codes (All Segments)

This is with reference to SEBI circular ref. no. CIR/DNPD/6/2011 dated July 5, 2011 and the Exchange circular ref no. NSE/INVG/2011/18484 dated July 29, 2011 regarding modification of client codes.

In the joint meeting held between SEBI and Exchanges, it was decided that the following clarifications be issued for client code modifications:

1. The following would constitute genuine errors with regard to client code modifications:
 - Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.
 - Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956).
2. Shifting of any trade (institutional or non institutional) to the error account of the trading member shall not be treated as modification of client code under SEBI circular dated July 5, 2011, provided the positions arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.
3. Trading members would be required to disclose the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload.
4. Trading member should have a well documented error policy to handle client code modifications, approved by their board/management.
5. With a view to minimize errors committed by the trading members, the Exchange will periodically review the trades flowing to the 'Error Account' of the trading members.

As per SEBI circular dated July 5, 2011 and the Exchange circular dated July 29, 2011 on client code modifications, penalty will be levied on all client code modifications w.e.f. August 1, 2011 (including genuine errors) except as mentioned in point no. 2 above.

Trading members are required to take adequate precautions while placing the orders. Members are advised to take note of the same and ensure necessary compliance. For any clarifications, members are advised to contact Ms. Kalyani PLS, Mr. Ashish Binani or Mr. Bharat Patil on 022-2659 8366/ 8193.

For National Stock Exchange of India Ltd.

Nisha Subhash

Assistant Vice President

Investigation Department