1. Objective

To frame the guidelines for modification to client codes post trade execution and reporting of such Client Code Modifications.

2. Brief about Client Code Modification:

Client Code Modification means modification / change of the client codes after execution of trades. Stock Exchanges provide a facility to modify any client code after the trade has been executed to rectify any error or wrong data entry done by the dealers at the time of punching orders. However, such Client Code modification is subject to certain guidelines as to the time limit within which the client code modification is to be carried out, terminal / system on which such modifications can be done etc. The facility is mainly to provide a system for modification of client codes in case genuine errors in punching / placing the orders. It is to be used as an exception and not a routine. To prevent misuse of the facility Stock Exchanges levy penalty / fine for all non-institutional client code modifications.

3. Scope of the Policy:

This policy covers all the Client Code Modifications carried out / to be carried out in any of the client accounts controlled by HO, subject to the guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange for which VGSPL is a member broker.

4. **"Error Trades"** means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy.

For the purpose of this Policy, only the following types of trades shall be modified / allowed to be modified:

In case of NSE (NOTE: no consistent pattern in such modifications):

i. Client code/name and modified client code/name are similar to each other but such modifications are not repetitive.
ii. Family Code (spouse, dependent parents, dependent children and HUF)
iii. 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.

In Case of BSE:

i. Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
ii. Trade entered for wrong client due to any miscommunication from the client / authorized representative of the client.
iii. Modification within family members
iv. Institutional trades modified to broker error/pro account

In Case of MCX-SX

i. Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
ii. Trade entered for wrong client due to any miscommunication from the client / authorized representative of the client.

5. Procedure:

(i) The facility for Client Code Modification can be used only in case of Error Trade.
(ii) The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange.
(iii) All such modifications are duly noted into a register and authorized by the supervisory personnel/ directors. Generally offline modification is not allowed.

6. Place for Client Code Modification:

Any Client Code Modification shall, subject to compliance of this policy, be carried out by RMS at HO of all the Error Trades happened in Capital Market Segment of NSE,BSE and MCX-SX.

7. Penalty

The penalty or fine, if any, levied on VGSPL for any wrong trade occurred due to any miscommunication from the client / authorized representative of the client shall be borne by the client.

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

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

NIFTY 50 Stock of the nation

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

Notices

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

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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