



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,

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