



CIRCULAR

CIR/MRD/DP/29/2014

October 21, 2014

To

All Stock exchanges and Clearing corporations,
All Stock brokers through stock exchanges.

Dear Sir / Madam,

Sub: Modification of client codes of non-institutional trades executed on stock exchanges (All Segments)

SEBI had issued circular CIR/DNPD/6/2011 dated July 05, 2011 pertaining to client code modifications of non-institutional trades on stock exchanges.

2. Upon receipt of various representations from stock brokers and stock exchanges to review the penalty structure specified in the aforementioned circular, it has been decided to partially modify the circular as under:

(i) Stock exchanges may waive penalty for a client code modification where stock broker is able to produce evidence to the satisfaction of the stock exchange to establish that the modification was on account of a genuine error.

(ii) Not more than one such waiver per quarter may be given to a stock broker for modification in a client code. Explanation: If penalty waiver has been given with regard to a genuine client code modification from client code AB to client code BA, no more penalty waivers shall be allowed to the stock broker in the quarter for modifications related to client codes AB and BA.

(iii) Proprietary trades shall not be allowed to be modified as client trade and vice versa.

(iv) Stock exchanges shall submit a report to SEBI every quarter regarding all such client code modifications where penalties have been waived.

3. Stock exchanges shall undertake stringent disciplinary actions against stock brokers who undertake frequent client code modifications.

4. All other conditions as specified in the SEBI Circular dated July 05, 2011 remain unchanged.



5. Stock Exchanges and Clearing Corporations are directed to:
 - a) take necessary steps to put in place systems for implementation of this circular, including necessary amendments to the relevant bye-laws, rules and regulations.
 - b) bring the provisions of this circular to the notice of the stock brokers / clearing members and also disseminate the same on their website;
 - c) communicate to SEBI the status of implementation of the provisions of this circular.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Maninder Cheema
Deputy General Manager
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