



ISE Securities & Services Limited

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ISE Securities & Services Ltd.(ISS)

Policy on Client Code Modification

ISE Securities & Services Ltd. (ISS) is wholly owned subsidiary of Interconnected Stock Exchange of India Ltd. Pursuant to the circular issued by SEBI in the year 1999, the subsidiary of Regional Stock Exchanges are not required to undertake any securities transaction of its own. ISS who is a member of BSE & NSE can undertake trading activities only through their SEBI registered sub-brokers. SEBI registered sub brokers of ISS are members of parent exchange i.e. ISE. Any circular issued by SEBI from time to time which is applicable to trading members is also applicable to ISS. SEBI has issued circular CIR/DNPD/6/2011 dated July 5, 2011 regarding modification of client code of non institutional trade executed on Stock Exchange mentioning ^{there} in penalty to be imposed on the trading member by the exchanges for modification of client code by trading member while executing the trades.

According to SEBI circular if the percentage of the client code modification of non institutional trades is 5% or less of the total non institutional trades executed during the month than in that case penalty is 1% of the value of the client code modification is made and if it is more than 5% of the total institutional trade the penalty is 2% of the value of non institutional trade where client codes have been modified.

After the above SEBI Circular BSE and NSE have issued notice on 29 July 2011 and 26 August 2011 prescribing the strict objective criteria for identification of general error in entry of client code of non institutional trades. Such criteria are

- 1) Punching error/typing error of client codes.
- 2) Trade entered for wrong client due to communication error.
- 3) Modification within family members.
- 4) Institutional trades modified to broker error account.

Further NSE vide its circular dated 26 August 2011 stated that trading member should have well documented error policy to handle client code modification. Similarly BSE vide its notice dated August 26, 2011, had insisted on well documented policy on modification of client codes.

Pursuant to the above, ISS has following policy / procedure with regards to client code modifications.

- 1) The sub-brokers who modify code modification are required to inform ISS the reason for client code modification.
- 2) The client code modification is permitted only if the same is on account of punching error or typing error of client code modification of codes within family member or wrong client codes enter on account of communication error.

Continued on page 2

ISE Securities & Services Limited

: 2 :

- 3) In case of client code modification is on account of above reasons frequently , then in that case the clarification is to be obtained from sub-brokers and in case reply received from sub-brokers is not satisfactory than in that case necessary action is to be taken against sub-brokers.
- 4) The penalty as prescribed by regulators to be charged to sub-brokers on daily basis and on the completion of the month the amount of penalty charged by the stock exchange should be reconciled with the total penalty charged to sub-brokers for entire month in order to ensure that neither less nor more penalty is being charged to sub-brokers as compared to penalty charged by the exchanges. ,
- 5) No client codes are to be classified has an error account in respect of client code modification as ISS is not required to maintain any error account as they can not under take any trade on its own account.

M N Kevin Sunder
20/12/2011

M N Kevin Sunder
Senior Manager
Head Clearing and Settlement.

K M Sivaraman
20/12/2011

K M Sivaraman
CEO & Whole Time Director

Date 20 December 2011

Riad
Murshida
21/12/2011