INDIA INX
INDIA INTERNATIONAL EXCHANGE

CIRCULAR

Circular No.	20170113-5	Circular Date	1/16/2017
Category	Compliance	Segment	General
Subject	Unique Client Code		
Attachments	• Annexure1		

Subject : Unique client code

Please login to the link http://ucc.indiainx.com/newucc/admin/presentationlayer/login.asp for registration of client codes in the UCC system of INDIA INX.

Allotment of Unique Client code (UCC)

Securities and Exchange Board of India (SEBI) vide its circular no. SMDRP/Policy/CIR-39/2001 dated July 18, 2001 made it mandatory for all stock brokers to use Unique Client Codes (UCC) for all the clients. For this purpose, stock brokers shall allot a unique Client Code to each of their clients, The said Client Code are required to be uploaded along with the PAN details in the UCC system of the Exchange prior to the execution of the trades.

As provided in SEBI (International Financial Services Centre) Guidelines, 2015 read with SEBI circular IMD/HO/FPIC/CIR/P/2017/003 dated January 4, 2017, the following categories of clients are permitted in IFSC:

i) Person not resident in India
ii) Non-resident Indian
iii) Financial Institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted
iv) Person resident in India who is eligible under FEMA, to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme of Reserve Bank of India, subject to a minimum investment as specified by SEBI, from time to time

Further, services to clients referred to in clauses (ii) to (iv) are also subject to guidelines of Reserve Bank of India.

SEBI (Foreign Portfolio Investors) Regulations, 2014 has defined categories of foreign portfolio investors i.e. FPI-I, FPI-II and FPI-III.

Accordingly, the following categories of client would be available in UCC system, wherein stock brokers would be required to register the client codes.

1. NRI - Non-resident Indians
2. FPI-1 – Foreign Portfolio Investor 1
3. FPI-2 – Foreign Portfolio Investor 2
4. FPI-3 – Foreign Portfolio Investor 3
5. EFI-1 – Eligible Foreign Investors – Individuals
6. EFI-2 – Eligible Foreign Investors – Non-Individuals
7. OWN – Non-Individuals
8. OTHERS - Institution

"FPI" is being introduced in UCC system w.e.f June 2, 2014 under all the client types namely INDIVIDUAL / NON INDIVIDUAL / INSTITUTION" and for status "CLIENT" and "INSTITUTION". Under FPIthe foreign portfolio investors are to be registered as below in Exchange UCC system:

FPI category	Client type in UCC	Client Status in UCC	Client category in UCC	Client type to be entered at the time of order entry
FPI-1	Institution	Institution	FPI-1	Institution
FPI-2	Institution	Institution	FPI-2	Institution
• Endowments, • Charitable societies, • Charitable trusts • Foundations and • Trusts	Institution	Institution	FPI-3	Institution
• Corporate bodies and • Family offices	Non Individual	Client	FPI-3	Spl Client
Individuals	Individual	Client	FPI-3	Spl Client

The stock brokers are required to upload the mobile numbers/email-ids in the UCC database of the Exchange.

In case where investors either do not have mobile number/email id or do not wish to provide the same, members shall obtain a declaration to this effect from the clients and report the same in the UCC database by entering "notprovided@notprovided.com" in the email ID field and "6666666666" in the mobile number field. Members are advised to maintain appropriate records of the efforts made to obtain the e mail Ids and mobile numbers from such clients, which can be verified.

The batch upload file format has been attached as Annexure-1.

In case of execution of trades without the registration of clients in the UCC system, the Exchange would download the files to the stock brokers containing the details of such client codes. In case of unregistered client codes, the stock brokers will have to register the said client codes on the day of trade itself, before opening of the next business date, failing which penalty of US$ 150 will be levied per code/ per day for every business day, till the date of registration.

MODIFICATION OF CLIENT CODES
Modifications of client codes of non-institutional trades may be allowed only to rectify a genuine error in entry of client code at the time of placing / modifying the related order. Refer to SEBI Circular CIR/DNPD/6/2011 dated July 5, 2011.

Accordingly, the objective criteria for identifying genuine errors for client code modification of non-institutional trades are as given below:
i. 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.
ii. Modification within relatives (Relative for this purpose would mean 'Relative' as defined under sec. 2(77) of Companies Act, 2013 r/w rule 4 of Chapter 1 of Companies (Specification of definitions details) Rules, 2014.

The stock brokers are required to inform the Exchange through IIEFS (link https://iiefs.indiainx.com/CheckLogin.aspx) by 5 pm of the following business day, the reasons for modification of client codes of non-institutional trades based on the objective criterias. The member has to select any one of mentioned objective criterias for each of the modified trade.

The guidelines for the implementation of the above SEBI circular is given below:

- 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. All cases of modification of client codes of non-institutional trades executed on the Exchange and not transferred to broker error account, shall be liable for a penalty of 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.
- 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, which shall be taken into consideration at the time of inspection.
- Members are strictly advised not to modify any client code in their back-office system.
- Any transfer of trade (institutional or non-institutional) to error account of the broker would not be treated as modification of client code and would not attract any amount of penalty, provided the trades in error account are subsequently liquidated in the market and not shifted to some other client code.
- For easy identification of error account, members are required to register a fresh client code as "ERROR" in the UCC database of the Exchange for the account which is classified by them as error account. Further, members are required to have a well-documented error policy approved by their Board/Management.
- If modification exceeds 1% of the value of trades executed during a month, the Exchange shall conduct a special inspection of the trading members and take appropriate disciplinary action, if any deficiency is observed.

In continuation to the above, SEBI has issued circular (SEBI circular no. CIR/MRD/DP/29/2014 dated October 21, 2014) regarding modification of client codes of non-institutional trades executed on stock exchanges (All Segments) wherein it is mentioned that 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. Not more than one such waiver per quarter may be given to a stock broker for modification in a client code. Explanation: If penalty wavier 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.

Additionally, stock exchanges shall undertake stringent disciplinary actions against stock brokers who undertake frequent client code modifications.

For & on Behalf of INDIA INX

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