

NOTICES

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|--------------------|---|--------------------|-------------|
| Notice No. | 20250430-59 | Notice Date | 30 Apr 2025 |
| Category | Trading | Segment | Equity |
| Subject | Master Circular – Surveillance (Equity Segment) | | |
| Attachments | Master Circular EQUITY Surveillance 2025 .pdf | | |

Content

Exchange periodically consolidates circulars issued by the department over the period of time to provide one single document to refer various policy and operational matters. This circular is consolidation of all the previous circulars issued by the Surveillance department in Equity Segment.

It is also clarified that, "Notwithstanding any rescission,

A. Anything done or any action taken or purported to have been done or contemplated under the rescinded guidelines before the commencement of this Master Circular shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of the Master Circular or rescinded guidelines whichever is applicable.

B. The previous operation of the rescinded guidelines or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded guidelines, any penalty, incurred in respect of any violation committed against the rescinded guidelines, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded guidelines have never been rescinded."

[This circular is available on BSE website at www.bseindia.com](http://www.bseindia.com) under Members → Information for Members.

For any further clarifications, members are advised to contact on 022-2272 3030 /5158 and email id bse.surv@bseindia.com

For & On behalf of BSE Ltd

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April 30, 2025

Master Circular - Surveillance (Equity Segment)

Exchange has been issuing various circulars / notices from time to time. In order to enable members to access all the applicable circulars / notices for Equity Segment at one place, Master Circular has been prepared.

This is further to our master circular no. 20240430-55 dated April 30, 2024.

Please note that all the content in this master circular are indicative in nature and updated till March 31, 2025 and the Notices/ Circular issued from time to time by the Exchange and by SEBI including SEBI/Exchange Rule Regulations and Bye Laws issued from time to time shall be applicable and supersede the contents of the Master Circular.

The master circular is set as follows for ease of reference:

PART I - List of important circulars issued during FY. 2024-25

PART II - Master Circular

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PART I: List of important circulars issued during FY 2024-25

| Sr.No | Notice No. | Subject |
|--------------|-----------------------------|--|
| 1 | 20240430-55 | Master Circular – Surveillance (Equity Segment) |
| 2 | 20240531-1 | Enhancement of Dynamic Price Bands for scrips in the Derivatives segment - Update |
| 3 | 20240809-42 | Enhanced Surveillance Measure (ESM)- Update (Market Capitalisation of less than 1000 Crs) |
| 4 | 20240809-46 | Long-Term Additional Surveillance Measure (LT-ASM) Framework on Equity Derivatives |
| 5 | 20240816-59 | Enhancement of Dynamic Price Bands for scrips in the Derivatives segment - Update |
| 6 | 20240920-63 | Extension of Surveillance Measures on Public Sector Undertaking (PSU) companies |
| 7 | 20241004-66 | Cautionary Messages on Trading Terminal - Update |
| 8 | 20241004-65 | Applicability of Enhanced Surveillance Measure (ESM) for SME Segment |
| 9 | 20241106-3 | Enhancement in Regulatory Indicator file format |
| 10 | 20241112-10 | Enhancement of Dynamic Price Bands for scrips in the Derivatives segment - Sliding price band on account of flexing and cancellation of orders after Sliding in underlying scrips. |

PART II: Master Circular

1 Surveillance Measures

1.1 Price Bands

- 1) SEBI has prescribed vide its circular no. SMDRPD/Policy/Cir-37/2001 dated June 28, 2001 that, all Individual securities shall have appropriate price bands up to 20% either way except for the securities having derivatives products on them.

Accordingly, the Exchange, as a Surveillance measure, revises the price bands of the securities having fixed price bands to 10%, 5% & 2% as the case may be. The said revision is based on the predetermined objective criteria jointly decided by the Exchanges in consultation with SEBI.

- 2) Securities on which derivative products are available have dynamic price bands wherein the initial threshold of 10% on the previous closing price is applied.
- 3) With reference to SEBI circular SEBI/HO/MRD/TPD-1/P/CIR/2024/58 dated May 24, 2024 and Exchange notice no. 20240527-60 dated May 27, 2024, with respect to implementation of SEBI circular para (D) Sliding price band on account of flexing and in partial modification to Exchange master circular 20240430-55 dated April 30, 2024 - PART II - ITEM 1, 1.1.(Price Band), the Exchange hereby notifies the below update for enhancement of dynamic price bands.

The dynamic price bands are relaxed in increment of 5% on the same side in which the stock price is moving, provided there are minimum 50 trades to be executed with 10 different UCCs and 3 trading members on each side of the trade at trigger % or above. The trigger limit for such relaxations are 9.90%, 14.90% and so on. For e.g. if the last trade occurs at 9.90% or more of the base price (i.e. previous close price) with atleast 50 trades with 10 different UCC and 3 trading members on each side, the dynamic price band shall be relaxed to 15%.

Whenever price band of a scrip or futures contracts is flexed in one direction, the price band on the other side would be flexed concurrently by equivalent amount in the direction of price movement.

Subsequently, if the last trade occurs at 14.90% or more with 50 trades with 10 different UCC and 3 trading members on each side, then the same shall be relaxed to 20% and so on by relaxing dynamic price band in the following manner:

- a. For the first two instances of flexing, the price band would be flexed by 5% of yesterday's closing price after the cooling off period. This cooling off period would be 15 minutes if conditions for flexing are satisfied before last half an hour of trading and 5 minutes if conditions for flexing are satisfied in the last half an hour of trading for the first 2 instances.

- b. For subsequent two instances of flexing the scrip by 5%, price band would be further flexed by 3% of yesterday's closing price after the cooling off period of 30 minutes if the threshold conditions are met.
- c. In exceptional circumstances, all the exchanges shall consult and relax the dynamic price band.

In exceptional scenarios of highly volatile price movement in a scrip/current month stock futures contract in the opposite direction within the cooling off period, the impending flex would be cancelled if the such price movement breaches the midpoint of the price band (and also satisfies the objective criteria of flexing as per Exchange notice no. 20240531-1 dated May 31, 2024, at or beyond the midpoint) during the cooling off period, before such impending flex is affected.

Notices for Enhancement of Dynamic Price Bands are mentioned hereunder :

- a) [Enhancement of Dynamic Price Bands for scrips in the Derivatives segment – Update](#)
- b) [Enhancement of Dynamic Price Bands for scrips in the Derivatives segment - Sliding price band on account of flexing and cancellation of orders after Sliding in underlying scrips](#)

[Notice for](#) the list of securities having dynamic price band is mentioned hereunder:

[List of securities](#)

4) Securities listing after Initial Public Offering:

As per Exchange Notice No. 20120123-26, dated January 23, 2012, & SEBI Circular No.: CIR/MRD/DP/02/2012, dated January 20, 2012, regarding Call Auction in Pre-Open Session & Trade Controls in normal trading session for IPO and other categories of securities is hereunder:

For issue size up to Rs. 250 Cr., trading shall take place in the Trade for Trade segment for the first 10 days with applicable price bands, wherein for the first day:

- No price band during pre-open session through call auction mechanism
- The price band in the normal trading session is 5% of the equilibrium price / issue price.

For issue size greater than Rs. 250 Cr., the applicable price bands for the first day is as under:

- No price band during pre-open session through call auction mechanism
- The price band in the normal trading session is 20% of the equilibrium price / issue price.

5) Re-listed Securities In following cases :

- Merger, demerger, amalgamation, capital reduction/consolidation, scheme of arrangement, in terms of the Companies Act and/or as sanctioned by the Courts, in cases of rehabilitation packages approved by the Board of Industrial and Financial Reconstruction under Sick Industrial Companies Act and in cases of Corporate Debt Restructuring (CDR) packages by the CDR Cell of the RBI.
- Securities that are being admitted to trading from another exchange by way of direct listing/MOU/securities admitted for trading under permitted category,
- Where suspension of trading is being revoked after more than one year.

Trading takes place in the Trade for Trade segment for the first 10 days with applicable price bands, wherein for the first day:

- No price band during pre-open session through call auction mechanism
- The price band in the normal trading session is 5% of the equilibrium price.

For securities under point no. 4 & 5, Exchange imposes dynamic price bands during the SPOS session which are relaxed based on the order book in coordination with the other Exchanges as applicable.

Relevant Notices are mentioned hereunder:

- a) [Call Auction in Pre-Open Session & Trade Controls in normal trading session for Initial Public Offerings \(IPO\) and Other Category of Securities](#)
- b) [Modification in duration for Call Auction in pre-open session for Initial Public Offer \(IPO\) and Relisted scrips](#)

6) Dummy circuit filter/operating range in special pre-open session:

- The initial dynamic price bands for Main board IPO securities shall be set uniformly in coordination with other Exchanges in the range of Upper 100% to Lower 50% of base price.
- The initial dynamic price bands for Re-listed securities shall be set uniformly in co-ordination with other Exchanges in the range of Upper 50% to Lower 85% of base price.
- The initial dynamic price bands for SME IPO securities shall be set as Upper 90% to Lower 20% of base price.

1.2 Trade for Trade (TT)

Based on the decision taken by SEBI in its meeting held in October 2002, Stock Exchanges, as a part of Surveillance measure transfers various securities for settlement on a Trade-for-Trade (TT) basis. The

process of identifying the securities moving to TT is done on a fortnightly basis while securities moving to/from TT is done on a quarterly basis based on the market capitalization, price earnings ratio, price variation vis-à-vis the market movement, volatility, volume variation, client concentration and number of non-promoter shareholders etc. The criteria for shifting securities to/from for settlement on TT basis is decided jointly by the stock exchanges in consultation with SEBI and reviewed periodically. Securities on which derivatives products available, are not considered for settlement on TT basis.

If a security is shifted for settlement on TT basis, selling/ buying of shares in that security results into giving/ taking delivery of shares at the gross level and no intraday netting off/ square off is permitted. The securities which form part of the 'T, XT, MT, TS, P, Z, Y, ZY & ZP group' are compulsorily settled on TT basis.

Relevant Notices are mentioned hereunder:

- a. *Trade for Trade -Normal Market Segment*
- b. *Trade for Trade -SME Segment*

1.3 SME

Ref.: SEBI circular No. CIR/MRD/DP/14/2010 dated April 26, 2010 and No. CIR/MRD/DSA/31/2012 dated November 27, 2012.

BSE Ltd has set up the BSE SME Platform as per the rules and regulations laid down by SEBI. BSE SME Platform offers an entrepreneur and investor friendly environment, which enables the listing of SMEs from the unorganized sector scattered throughout India, into a regulated and organized sector.

The obligations and responsibilities of Market Makers

The main obligation of the Market Maker is to provide liquidity in the market for securities that shall get listed in BSE SME Platform. The obligations and responsibilities of Market Maker shall be as follows:

The Market Maker is obligated to provide bid ask quotes and the associated quantities as per the guidelines for each of the securities for which he is authorized by the Exchange. The continuous

trading session shall be same as that of the equity market hours. As per the SEBI guidelines, the Market Maker shall have to be present for 75% of the time in a day and offer two-way quotes for his set of securities. His two-way quotes shall have to be outstanding in the order book, for at least 75% of the time in a trading session. The period in which a single side quote only of the Market Maker is pending in the order book, shall not be considered for calculating the period during which the Market Maker is required to be present. The Market Maker shall give two-way quotes till he reaches the upper limit threshold, after which he has option to give only sell quotes and vice versa. There are also some exceptional circumstances where the market maker may get the feeling that some party in its individual capacity or in group/syndicate trying to destabilize the market making or price of the securities. Under such circumstances, market maker may stop market making and bring it in the notice of the Exchange by the end of the day. Exchange shall do the necessary investigation and if found true shall not consider it a default in market making.

On the first day of the listing, there shall be pre-opening session (call auction) and there after the trading shall happen as per the equity segment market hours.

The Market Maker may also be present in the opening call auction, but there is no obligation on him to do so.

There shall be special circumstances under which the Market Maker may be allowed to withdraw temporarily/fully from the market – for instance due to system problems, any other problems. All controllable reasons require prior approval from the Exchange, while *force majeure* is applicable for noncontrollable reasons. The decision of the Exchange for deciding controllable and non-controllable reasons shall be final.

Pursuant to the Regulation 261 (6) and (7) SEBI ICDR Regulations, 2018, in SME issuances the market maker is prohibited to purchase the shares from the promoters during the compulsory market making period.

Punitive Action in case of default by Market Makers

The Exchange shall monitor the obligations and punitive actions, as applicable, shall be initiated for any exceptions and/or non-compliances. Penalties / fines shall be imposed by the Exchange on the Market Maker, in case he is not able to provide the desired liquidity in a particular security as per the specified guidelines. These penalties / fines shall be prescribed by the Exchange from time to time. The Exchange shall impose a penalty on the Market Maker in case he is not present in the market (offering two-way quotes) for at least 75% of the time.

The following penalty structure shall be as below:

| Sr. No. | Time period of absence of the Market Maker | Penalty to be imposed |
|---------|--|--|
| 1 | 1 day | Warning Letter to be issued |
| 2 | For 2 days (at a stretch) | Rs. 2,500 |
| 3 | More than 2 days and up to 5 days (at a stretch) | Rs. 5,000 |
| 4 | More than 5 days and up to 7 days (at a stretch) | Rs. 15,000 |
| 5 | More than 7 days and up to 15 days (at a stretch) | Rs. 25,000 |
| 6 | More than 15 days and up to 30 days (at a stretch) | Rs.50,000 and suspension of market maker |

Note: 'Days' are trading days of the Exchange

The Exchange decides and publishes the penalties / fines / suspension for any type of misconduct/ manipulation/ other irregularities by the Market Maker from time to time.

Price Band

The SEBI Circular CIR/MRD/DP/ 02/2012 January 20, 2012, has laid down that for issue size up to rupees 250 crores, the applicable price bands for the first day shall be: In case equilibrium price is discovered in the Call Auction, the price band in the normal trading session is 5% of the equilibrium price.

- i. In case equilibrium price is not discovered in the Call Auction, the price band in the normal trading session is 5% of the issue price.

Additionally, trading shall take place on TT basis for first 10 days from commencement of trading.

These securities shall also undergo the price band review process (downward and upward revision) as applicable to the scrips trading on Equity Segment (fixed price band)

1.4 SME ITP Platform

Price Bands:

W.e.f. June 16, 2014, maximum applicable Price Band range for the securities traded under SME ITP Platform is +/- 10%.

These securities shall also undergo the price band review process (downward and upward revision) as applicable to the scrips trading on Equity Segment (fixed price band) and SME platform.

Relevant Notices are mentioned hereunder:

- a) [Launch of Institutional Trading Platform on BSE SME](#)
- b) [Fixed Price band of 10% for securities trading on SME ITP](#)

1.5 Graded Surveillance Measure

Securities Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures such as reduction in price band, periodic call auction and transfer of securities to Trade-to-Trade category from time to time. The main objective of these measures is to;

- Alert and advice investors to be extra cautious while dealing in these securities and
- Advice market participants to carry out necessary due diligence while dealing in these securities.

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.

Salient Features of GSM Framework

GSM Framework is uniformly applicable across the Exchanges for market as a whole. The GSM Framework inter-alia includes:

- Identification of companies based on pre-decided joint criteria on a quarterly basis based on parameters given in Exchange notice issued from time to time.
- Monitoring of the identified securities for moving to various stages as per pre-defined parameters jointly decided by Exchanges and SEBI.

The GSM framework is applicable in addition to various surveillance actions undertaken by exchanges from time to time.

Link of the webpage is mentioned hereunder: -

[Graded Surveillance Measure](#)

1.6 Additional Surveillance Measure (ASM) Framework

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the previously introduced Surveillance measures, there shall be Additional Surveillance Measure (ASM) for various surveillance concerns.

Relevant weblinks / Notices are mentioned hereunder:

1. [Additional Surveillance Measure – Long Term and Short Term](#)
2. [Surveillance Measure for securities under IBC](#)
3. [Surveillance Measures for Companies wherein creditors of listed company may have or are in process of taking action as per IBC or Inter Creditor Agreement \(ICA\) Resolution Process \(ASM-ICA\)](#)
4. [Surveillance measure in respect of companies with high promoter pledge](#)
5. [Surveillance Margin on Trading Member for Order Spoofing](#)

1.7 Illiquid securities (Periodic Call Auction for illiquid securities)

Ref.: SEBI circular no. CIR/MRD/DP/6/2013 dated February 14, 2013 and SEBI circular no. CIR/MRD/DP/38/2013 dated December 19, 2013.

Stock Exchanges identifies illiquid securities at the beginning of every quarter and move such securities to periodic call auction mechanism.

Relevant weblinks / Notices are mentioned hereunder:

1. [*Introduction of Periodic Call Auction Session for Illiquid Securities*](#)
2. [*Rationalization of Periodic Call auction for Illiquid scrip*](#)

1.8 Order Based Surveillance Measure (OBSM)

In continuation to the various surveillance measures in force, SEBI and Exchanges in a joint meeting have decided that, in order to further strengthen the order level surveillance mechanism, there shall be an additional order-based surveillance measure to deter persistent noise creators i.e. excessive order modifications/ cancellations with an intent to avoid execution.

The said measure shall be applicable on the daily trading activity at the Client / Proprietary account level in a security / contract.

Refer following weblink: -

[Order Based Surveillance Measure: Persistent Noise Creators](#)

1.9 High Order Trade Ratio (OTR)

This is with reference SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2018/62 dated April 09, 2018 regarding Measures to Strengthen Algorithmic Trading and Co-location / Proximity Hosting framework, Exchange Notice Nos. 20180622-41 dated June 22, 2018 and 20200714-51 dated July 14, 2020, prescribing charges for High Order to trade ratio and SEBI Circular No. SEBI/HO/MRD1/DSAP/CIR/P/2020/107 dated June 24, 2020 on guidelines for OTR for Algorithmic wherein SEBI has asked Exchanges to carryout changes in existing OTR penalty framework.

| Order To Trade Ratio (OTR) | Charges Applicable |
|-------------------------------------|--------------------|
| <50 | NIL |
| >=50 to <250 (Incremental Basis) | 2 Paise |
| >= 250 <500 (Incremental Basis) | 10 Paise |
| >= 500 to <1000 (Incremental Basis) | 15 Paise |
| >=1000 to <2000 (Incremental Basis) | 20 Paise |
| >=2000 (Incremental Basis) | 25 Paise |

In addition to the above, in case, if the OTR is 2000 or more on three occasions in the previous thirty trading days (on rolling basis), the concerned member shall not be permitted to place any orders for the first 15 minutes on the next trading day as a cooling off action. In Equity derivatives and Currency derivative segment, the current mechanism of permitting to enter orders in risk reduction mode shall continue however in Equity segment member shall be able to place orders only after 15 minutes of the normal market open.

1.10 Unique Identifier for Algorithms

All Algorithmic orders need to be tagged with a unique identifier provided by the Exchange from time to time.

Further as per Exchange notice no. 20180420-19 dated April 20, 2018 and notice no. 20180919-41 dated September 19, 2018 wherein provision for capturing the ALGO ID and mandatory tagging of ALGO Id assigned by the Exchange for approved ALGOS was specified.

Trading Members are advised the following:

- To adhere to the above-mentioned circulars and ensure that all Algorithmic orders are tagged with the unique identifier allocated by the Exchange.
- To ensure that only ALGO orders are tagged with Algo Id.

The Exchange checks whether all Algorithmic orders are tagged with the unique identifier allocated by the Exchange. In case of any deviation is observed, the Exchange levies a penalty. The penalty structure is as follows:

| No. of Instances of continuous non-compliance (on rolling basis) | Penalty per day (In Rs) |
|--|-------------------------|
| Upto 30 | 5000/- |
| 31 -45 | 10000/- |
| More than 45 | 15000/- |

1.11 Add-on Price Band Framework

In continuation with BSE's endeavour to maintain market integrity and curb excessive price movement in securities listed exclusively on BSE Trading Platform, a need was felt to further strengthen the extant surveillance measures for the securities which are subjected to other extant surveillance frameworks from time to time but witnessing sustained price variation over a longer time period. Accordingly, a new surveillance framework viz. Add-on Price Band Framework has been introduced by the Exchange for shortlisted securities listed exclusively on BSE Trading Platform in August 2021.

The securities are shortlisted based on the pre-defined objective criteria covering market capitalization, market price, price variation over a threshold in 6 months, 12 months, 2 years and 3 years period. Further, the framework works in addition to daily fixed price band framework applied on such shortlisted

securities. The shortlisted securities are subjected to additional price bands over a longer period i.e. 6 monthly, yearly, 2 yearly, 3 yearly price bands, in addition to their daily price band.

Refer following weblink: -

[Add-on Price band](#)

1.12 Enhanced Surveillance Measure (ESM)

The ESM framework was introduced w.e.f June 05, 2023, for highly volatile “micro-small Cap” companies. The framework is currently applicable for companies with market capitalisation of less than ₹1000 crores including SME companies .

Identification of companies under ESM is based on pre-defined joint criteria on daily basis based on parameters given in Exchange notices issued from time to time.

Monitoring of the identified securities for moving to various stages is as per pre-defined parameters.

Refer following weblink:

[Enhanced Surveillance Measure](#)

1.13 Reversal Trade Prevention Check (RTPC)–in Equity Segment

The RTPC functionality in Equity segment shall work in line with other segments wherein the second leg of a reversal trade shall be automatically cancelled at the time of order matching in an on-line real time manner in the trading system thereby eliminating the potential cases of trade reversals taking place on the trading platform.

RTPC in Equity Segment is applicable to securities exclusively available for trading on BSE trading platform under X, XT, Z, P, Y, ZP and ZY groups.

Refer following Notice :

[Reversal Trade Prevention Check \(RTPC\) – in Equity Segment](#)

1.14 Index based market wide circuit breaker from October 14, 2013 onwards

The index-based market-wide circuit breaker system are applicable at 3 stages of the index movement, either way viz. at 10%, 15% and 20%. These circuit breakers when triggered bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the BSE Sensex or the Nifty 50, whichever is breached earlier.

The trigger limits, respective halt duration and Pre-Opening Session duration is given below:

| Trigger Limit | Trigger Time | Halt duration | Pre-Opening Session duration post each halt |
|---------------|------------------------------|--|---|
| 10 % | Before 1 Pm | 45 Minutes | 15 Minutes |
| | At or After 1 PM to 2.30 PM | 15 Minutes | 15 Minutes |
| | At or after 2.30 PM | No Halt | - |
| 15 % | Before 1 PM | 1 Hour 45 minutes | 15 Minutes |
| | At or after 1 PM before 2 PM | 45 Minutes | 15 Minutes |
| | On or after 2 PM | Trading halt for the remainder of the day. | - |
| 20 % | Any time of the day | Trading halt for the remainder of the day. | - |

Pursuant to SEBI Circular no. CIR/MRD/DP/ 25 /2013 dated September 03, 2013, the Exchange has issued notice no. 20130930-37, dated September 30, 2013 informing that the Index based market wide circuit breaker triggers of 10%, 15% and 20% shall be calculated on daily basis on the closing value of the S&P BSE Sensex for the next trading day. Additionally, a 15 minutes pre-opening session post each trading halt has been introduced.

As per the provision of the aforementioned circular, the triggers applicable for the T + day based on the closing value of BSE SENSEX on T day are disseminated on Exchange on the following weblink:

<https://www.bseindia.com/sensex/MktCktBreaker.html>

2) COMPLIANCE

Penalty Norms

Exchange has issued notice no. 20090320-30 dated the March 20, 2009 for norms for violations detected in the course of surveillance & investigation. Exchange Notice with regards to penalty norms is mentioned hereunder:-

[Revision of penalty norms of Department of Surveillance & Investigation](#)

3) Policy for Annulment of trades undertaken on BSE Trading platform

The Exchange introduced Policy on Annulment of Trades and defined suitable criteria so as to discourage frivolous trade annulment requests from the stock brokers being referred to the Exchange. The framework for processing the trade annulment requests from trading members for trades executed on the exchange trading platform is provided in the Notice link below.

[Policy for Annulment of trades undertaken on BSE Trading Platform](#)

4) OTHER SURVEILLANCE MEASURES

a) Suspension of Companies as Surveillance measures

The Exchange has specified the process that is followed for revocation of suspension of trading in securities of various companies that were suspended on account of surveillance reasons as per notice nos. 20151221-02 dated December 21, 2015; 20160208-07 dated February 08, 2016 and 20160328-15 dated March 28, 2016.

The Exchange also issued notice to market participants providing update on process to be followed for companies which have undergone action as a surveillance measure. Weblink of the notice issued in this regard is given below:

[Update on companies which have undergone action as a surveillance measure](#)

b) Verification of credential / fundamentals of Suspected Shell companies

The Exchange has issued various notices from time to time providing various details wrt broad process for dealing with cases of such companies.

Relevant Notices issued are mentioned hereunder:

- a. [SEBI directions w.r.t. listed Shell Companies](#)
- b. [SEBI directions w.r.t. listed Shell Companies – Update](#)
- c. [SEBI directions w.r.t. listed Shell Companies – Update](#)

c) Dealing with unsolicited messages / videos

Exchange has issued an advisory on the home page of BSE website under head - Attention Investors, inter alia, cautioning the market participants against unsolicited SMS tips/ recommendation and to do thorough analysis about the company before investing.

Exchange has also informed Investors/ Market participants may report unsolicited SMS / references on stock tips/recommendation on dedicated mobile number +91 7506840578 OR dedicated email id : attentioninvestors@bseindia.com. Exchange shall be considering references of unsolicited messages so received, along with other details as informed on the Exchange website under head 'Attention Investors'; at weblink https://www.bseindia.com/attention_investors.aspx

Based on the veracity/genuineness of the references received by the Exchange and pre-defined objective criterion, Exchange publishes on its website, on trading terminals and Regulatory Indicator file, the names of companies forming part of 'For Information List' and 'Current Watchlist', which are actionable in terms of Exchange Notices issued from time to time. Further, for the reference purpose, the Exchange from time to time publishes the details of Stocks forming part of 'Historical Watchlist' i.e. archive list of stocks that were earlier a part of 'Current Watchlist'. The names of these companies are published on BSE website under the head – Attention Investors for information of the market participants.

Relevant Notices issued are mentioned hereunder:

- a. [Caution towards unsolicited messages](#)
- b. [Additional Surveillance Margin on Trading Members who have traded for substantial activity in stocks having unsolicited SMS](#)
- c. [Caution towards dealing with Unsolicited Messages – Update](#)
- d. [Caution towards dealing with Unsolicited Messages – Update](#)
- e. [Caution towards dealing with Unsolicited Messages/ Videos / any other reference - Update](#)
- f. [Caution towards dealing with unsolicited videos and messages circulated in social media - Update](#)

d) Abnormal / Non – genuine trades

Exchange has issued notice to trading members advising them to refrain from entering abnormal / non – genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts across segments. Further, trading members were informed that any such activity observed

may also attract levy of penalty of 100% of the traded value / profit made / loss incurred as a result of such trades.

Relevant Notices issued are mentioned hereunder:

- a. [Abnormal / Non – genuine trades](#)
- b. [Guidance note on Abnormal / Non – genuine trades](#)

e) PAN-based Self-trade Prevention Check Functionality:

With an objective to bring in more transparency, BSE, as a proactive measure introduced a functionality called the Self Trade Prevention Check, to prevent self-trades at the time of order matching at the UCC level in first phase, which was introduced in the Equity Segment on March 16, 2015

The Exchange later extended the same functionality on PAN level on October 12, 2015 in the Equity segment.

Self-trade prevention check is a feature that prevents matching between a buy & a sell order entered by single broker or multiple brokers

- In the same order book
- For the same client code - Originating from same or different terminals of the broker
- For different client codes having same PAN - Originating from trading terminals of different Brokers

Relevant Notices issued are mentioned hereunder :

- a. [Self-trade Prevention Check for Equity segment](#)
- b. [Self-trade Prevention Check for Equity segment - FAQs](#)
- c. [PAN-based Self-trade Prevention Check Functionality for Equity Segment](#)
- d. [PAN-based Self-trade Prevention Check Functionality for Equity Segment - Update](#)
- e. [PAN-based Self-trade Prevention Check Mechanism - Enhancement](#)

f) Member Surveillance System

In order to facilitate effective surveillance mechanisms at the Member level, the Exchange has derived transactional alerts that are downloaded to trading members. This facilitates trading members to effectively monitor trading activity of their clients.

Link to Exchange Notice with regards to Member e-Boss is given hereunder: -

[Version of e-BOSS \(Member Surveillance System\)](#)

E-BOSS (Member Surveillance System) - For downloading of Transactional Alerts to the trading members of the Exchange:

[E-BOSS \(Member Surveillance System\) - For downloading of Transactional Alerts to the trading members of the Exchange](#)

Exchange has also issued notice to the Trading members providing update on surveillance obligation for trading members, inter alia, covering following –

- Broad parameters to frame surveillance policy for processing of alerts
- Indicative themes for generating alerts at their end
- Due diligence to be carried out on an ongoing basis
- Timely processing of alerts for taking appropriate action
- Quarterly reporting of status of alerts generated at their end effective from quarter ended on Sept 2021
- Graded monetary penalty for non-compliance with reporting requirements

Weblink of the notice issued in this regard is given hereunder:

[Surveillance Obligations for Trading Members – Update](#)

g) Quarterly reporting of status of the Surveillance Alerts generated by the Trading member.

Exchange has provided facility in the BSE Electronic Filing System (“BEFS”) for Trading members to report status of alerts generated at their end on a quarterly basis. In this regard, Exchange has issued notice providing user manual for reporting the said quarterly compliance by the trading members in BEFS.

Weblink of the notices issued in this regard is given hereunder:

- a. [Surveillance Obligations for Trading Members – Procedure for Quarterly Compliance Reporting](#)
- b. [Surveillance Obligations for Trading Members – Procedure for Quarterly Compliance Reporting - Update](#)

h) Surveillance & Cautionary Indicator

Trading Members were directed to develop a functionality on their non – BOLT / BOW front end including IBT, STWT, CTCL, etc. whereby any person while placing an order in a security which is under Graded Surveillance Measure (GSM), Additional Surveillance Measure (ASM), IRP as per IBC, Unsolicited SMS, or Videos / Pledge / ASM / ICA / ASM IBC, etc. gets the following pop up message at the time of placing the order and is aware of such surveillance action on the scrip before placing the order.

Weblink of the notices issued in this regard is given hereunder:

[Surveillance Indicator – Update](#)

[Surveillance Indicator – Update](#)

Similarly trading Members were required to develop a functionality on their non – BOLT / BOW front end including IBT, STWT, CTCL, etc., whereby any person while placing an order in a security for which the above cautionary indicators are applicable, gets the following message so that the person placing the order is aware of such alerts on the security before placing the order.

- Loss making for last 8 quarters.
- Encumbrance of Promoters/ promoter group shareholding more than 50%
- Scrip is in Z Group
- Company not paid listing fees
- Security scheduled to be moved out of Derivatives.
- Security is in BAN period

Weblink of the notices issued in this regard is given hereunder:

- a. [Cautionary Messages on Trading Terminal](#)
- b. [Cautionary Messages on Trading Terminal - Update](#)
- c. [Enhancement in Regulatory Indicator file format](#)

i) Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse

This has reference to SEBI circular (Reference no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96) dated July 04, 2024 titled ‘Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse’ and BSE Notice No. 20240705-11 dated July 05, 2024.

As required in the SEBI circular, a guidance note is placed to:

1. Recommend best practices to be adopted by the Trading Member for effective trade surveillance operations;
2. Describe some common types of market abuse practices and how to identify them; and
3. Provide an accountability matrix for different types of suspicious behaviour

Weblink of the notices issued in this regard is given hereunder:

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20241231-66>

5) UNIQUE CLIENT CODE

A. Introduction to Unique Client Code (UCC)

SEBI vide its circular SMDRP/Policy/Cir-39/2001 dated July 18, 2001, had directed that it shall be mandatory to use unique client codes for all the clients. To comply with the above circular, it had been made mandatory for the trading members to upload the unique client codes for all their clients in the Exchange UCC database.

Following are the checks to be done by the Trading members prior to upload of UCC in the UCC Database of the Exchange.

B. Checks for PAN

- i. The requirement of mandatory submission of PAN by clients for transactions in the securities market shall continue to apply, with permitted exemptions.
- ii. Members shall verify the PAN online using the Income Tax Database
- iii. Members are hereby informed that Date of Birth (DOB)/Date of Incorporation (DOI) is one of the mandatory fields for verification of Name of Client as per IT Database/PAN.

C. Checks for mobile number and email ID

This is with reference to SEBI circular CIR/MIRSD/15/2011 dated August 02, 2011 and Exchange notice no. 20110809-19 dated August 9, 2011, which inter-alia states as under:

“Stockbrokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stockbroker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. ‘Family’ for this purpose would mean self, spouse, dependent children, and dependent parents.”

- i. Please note that multiple UCC mapped with same mobile number or E-mail address should strictly be as per the definition of “Family” as mentioned above and at the written request of a client in whose account same mobile number/E-mail address being updated to avoid any penalty / disciplinary action as per Exchange notice no. 20180214-31 dated February 14, 2018 or any notice issued thereafter.
- ii. Trading members are required to take note of the above requirement and ensure that the same is being complied with.
- iii. Members shall ensure that the mobile numbers/ email addresses of Trading members /their employees or their Authorised Persons are not captured as client contact details.

D. Due diligence of clients

- i. This is with reference to UCC details uploaded by the Members in the UCC database of the Exchange.
- ii. It has been observed by the Exchange that clients are having multiple PANs with same name and same bank account number. All the Members are hereby advised to conduct proper due diligence while onboarding the clients and update factual information in the UCC database of the Exchange.
- iii. Further for existing clients, review the details of your clients and if required, update accurate details in the UCC system of the Exchange.
- iv. All the members are advised to take the appropriate corrective action. All the members are requested to take note and comply with the above guidelines.

E. Proprietary account

Trading Members shall be required to mandatorily upload PAN details for all ‘OWN’ (Proprietary account) codes. For this purpose, the trading member code shall be mentioned as Unique Client Code (UCC) and the valid PAN of the trading member shall be provided.

Amendments to provisions in SEBI Circular dated September 16, 2016 on Unique Client Code (UCC) and mandatory requirement of Permanent Account Number (PAN).

Exchange Notice number 20210310-44 dated March 10, 2021 stated that SEBI has issued circular No. SEBI/HO/CDMRD/DNP/CIR/P/2021/30 dated March 08, 2021, stating that UCC is mandatory for commodity derivative segment.

For this purpose, members shall collect after verifying the authenticity and maintain in their back-office the copies of Permanent Account Number (PAN) issued by the Income Tax (IT) Department, for all their clients.

However, in case of e-PAN, members shall verify the authenticity of e-PAN with the details on the website of IT Department and maintain the soft copy of PAN in their records.

F. Unique Client Code (UCC) file structure

A facility has been provided to the trading members to upload the UCCs of their clients through UCC system.

All trading members are strictly required to ensure that new client details with all mandatory fields are updated and approved in the Unique Client Code system of the Exchange. Further trading members are required to ensure that client details in UCC system of the Exchange for new and existing clients should be complete and correct.

G. Adherence of KYC requirement Sikkim based clients:

This is further to the SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011, regarding norms prescribed for Simplification and Rationalization of Trading Account Opening Process and Exchange notice no. 20130215-17 dated February 15, 2013, 20191219-19 dated December 19, 2019 and 20220808-12 dated August 08, 2022, regarding updating of client address in the UCC system of the Exchange. As per the account opening requirement, the name and address mentioned on the KYC form should match with the documentary proof submitted by the client.

In view of the above, the Trading Members are required to send the identity and address proof of all the newly onboarded clients and modified clients (irrespective of whether PAN has been submitted by account holder or not) to the Exchange, where the correspondence or permanent address of the client is 'Sikkim'. The aforesaid documents should be sent vide email on ucc@bseindia.com. In case of any deviations observed by the Exchange during the scrutiny of records, the same shall be informed to the trading member for necessary corrective actions. However, in absence of corrective action by the trading member within 10 days from the date of intimation of the discrepancy, then trading member shall mark such account as closed with immediate effect and discrepant UCCs shall be considered as non-compliant and not permitted to trade. (Reference no. 20220808-12 dated 08 Aug 2022.)

H. Corporate Identity Number (CIN) for Body Corporate:

Members are mandatorily required to upload Corporate Identity Number (CIN) of body corporate acting as clients in the UCC database of the Exchange. Refer to SEBI letter no. ISD/SP/11595/2012 dated May 23, 2012 and Exchange notice no. 20120529-16 dated May 29, 2012 and 20120601-15 dated June 1, 2012.

I. CP Code Details:

To facilitate the online give-up/ take-up process of institutional trades by trading members to clearing members, in the F&O segment, the Exchange is introducing 4 new fields in the Webex UCC system (both manual registration as well as batch upload).

Trading members are requested to provide these details for their institutional clients, whom they have registered in the UCC system, however the same is optional for non-institutional clients. Although these fields are non-mandatory, members are requested to provide these details to facilitate the auto give-up/ take-up process of institutional trades in the RTRMS system. Details of the auto give-up/take-up process of institutional trades shall be provided via a separate circular in due course of time. (Refer to Exchange Notice No. 20120601-15 dated June 1, 2012)

J. Mandatory fields in Unique Client Code (UCC) information provided to Exchange:

As per Exchange notice no. 20210503-41 dated 3rd May 2021 **only Compliant UCCs shall be allowed to place orders / bids w.e.f. July 01, 2022 as mentioned in 20220623-58 dated June 23, 2022** Members are required to ensure, that the UCCs for OWN (proprietary orders) and Clients are compliant with the below guidelines under all the segments (Equity, Equity Derivatives, Currency Derivatives, Commodity Derivatives, Securities' Lending and Borrowing and Debt):

- 1) Compliant with 6 KYC attributes viz Name, Complete address (including PIN code No. in case of address of India), PAN, valid Mobile number, Valid email-id, Income details/range.
- 2) Custodian details updated for clients availing custodian services.
- 3) PAN verification status of the client is Valid.

K. Nomination for Eligible Trading and Demat Account

As per SEBI circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2023/158 dated September 26, 2023 and Exchange notice no. 20230926-64 dated September 26, 2023 "Submission of 'choice of nomination' for trading accounts has been made voluntary as a step towards ease of doing business".

L. Multiple UCC

Trading Members to allot only one UCC to an individual client and ensure that only one UCC with "Active" status is retained in the exchange system. It may be noted that the above requirement will not cover codes for Institutional clients / NRI / PMS / Statutory Bodies / Custodian settled clients / codes allotted as "BUYBACK", codes allotted under the trading member PAN and any other codes falling under exempted category.

M. Trading supported by Blocked Amount in Secondary Market

With reference to SEBI circular ref. no. SEBI /HO/MRD/MRD-PoD-2/P/CIR/2023/99 dated June 23, 2023, regarding Trading supported by Blocked Amount in Secondary Market, Exchange has made specific enhancements to the Unique Client Code (UCC) file structure:

- 1) For clients interested in utilizing the 'Unified Payments Interface (UPI)' for this facility, we have included an "Opt for UPI" field in the UCC file structure.
- 2) Trading Members can provide up to 5 Bank and Demat account details for their clients (at least one Bank and Demat account is mandatory). Trading Members shall ensure that NRE bank account details are not provided.
- 3) Under the UPI mechanism, the primary holder's name and PAN will undergo verification against the provided Bank and Demat account details provided by the client. If disparities or mismatches are detected, the record will not be validated by the NPCI/Depositories and client will not be eligible for utilizing the 'Unified Payments Interface (UPI)'
- 4) To use the UPI facility, clients must designate at least one Bank and Demat account as their primary account, out of the multiple accounts they have updated. Other Bank and Demat accounts to be marked as "Secondary". Although clients can update multiple Bank and Demat accounts, payouts will only be processed in the primary account opted by them. Subsequent, to the successful payout, the clients can change their primary account/s subject to validation done by NPCI/Depositories.
- 5) Bank account details include Bank Account Name, IFSC Code, and Bank Account Number. 6) Demat account details includes Depository Name, Depository Participant ID, and Beneficial Owner Account Number.
- 7) It was communicated in Exchange Notice no. 20250103-31 dated January 03, 2025 that "only records uploaded through the UCC module with successfully validated PAN, bank details and demat details by 3:00 p.m. on the trading day will qualify for trading under UPI".

(Refer Circulars

- 20250103-31 Dated January 03, 2025
- 20241114-3 Dated November 14, 2024
- 20231223-3 Dated December 23, 2023
- 20231211-51 Dated December 11, 2023
- 20231018-39 Dated October 18, 2023
- 20230626-68 Dated June 26, 2023)

N. Guidelines for uploading the KYC data of the existing clients in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011:

This is with reference to SEBI Circular No. SEBI/HO/MIRSD/FATF/P/CIR/2023/0144 dated August 11, 2023, and pursuant to Exchange circulars issued on monthly basis in respect to Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011 with the latest BSE notice no 20250311-7 dated March 11, 2025, on “Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs)” and “Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011”.

In continuation to the above circulars, clients whose KYCs are not found to be validated by KRAs such UCCs are being blocked from Trading on the Exchange till the time the PANs are validated by the KRA.

(Refer Circulars:

20250409-19 Dated April 09,2025
20250311-7 Dated March 11, 2025
20250210-17 Dated February 10, 2025
20250109-74 Dated January 09, 2025
20241209-14 Dated December 09, 2024
20241108-53 Dated November 08, 2024
20241010-15 Dated October 10, 2024
20240909-27 Dated September 09, 2024
20240814-45 Dated August 14, 2024
20240805-15 Dated August 05, 2024
20240804-1 Dated August 04, 2024
20240712-15 Dated July 12, 2024
20240704-41 Dated July 04, 2024
20240614-52 Dated June 14, 2024
20240410-50 Dated April 10, 2024
20240313-29 Dated March 13, 2024
20240207-44 Dated February 07, 2024
20231023-30 Dated October 23, 2023
20230902-1 Dated September 02,2023
20230818-44 Dated August 18, 2023
20230421-49 Dated April 21, 2023)

O. Centralized mechanism for reporting the demise of an investor through KRAs

SEBI vide circular no. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163 dated October 03, 2023, introduced a centralized mechanism for reporting and verification in case of the demise of an investor and thereby smoothen the process of transmission in securities market. The aforesaid SEBI circular spells out the operational norms including the obligations of regulated entities, including registered

intermediaries that have interface with 'investors' / 'account holders' (used interchangeably) who are natural persons.

Exchange vide notice 20240103-28 dated January 3, 2024 issued a Standard Operating Procedure (SOP) in consultation with Stock Exchanges, Depositories, industry associations like Association of Mutual Funds in India (AMFI), Registrars Association of India (RAIN), MF registrars, KRAs, Association of Registered Investment Advisers [ARIA], Broker's association, etc.

Based on the above SOP, the KRA shall provide the list of PANs which fall under the above category to Exchange on daily basis. The Exchange shall de-activate the UCCs of such PANs with immediate effect. (Refer Exchange Notice No. 20231004-10 dated Oct 04' 2023

P. Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account

This is with reference to SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 05, 2024, Exchange Notice No. 20240605-64 dated June 05, 2024, Notice No. 20240705-37 dated July 05, 2024, Notice No. 20240823-55 dated August 23, 2024, Notice No. 20240911-56 dated September 11, 2024, Notice No. 20241004-58 dated October 04, 2024, Notice No. 20241008-32 dated October 08, 2024, Notice No. 20241010-26 dated October 10, 2024, Exchange Notice No. 20241109-9 dated November 09, 2024, Exchange Notice No. 20250110-47 dated January 10, 2025, Exchange Notice No 20250116-37 dated January 16, 2025 and 20250218-51 dated February 18, 2025 on "Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account" wherein it was mentioned that ICCL and NCL vide their various circulars have provided detailed guidelines including standard operating guidelines of 'Pay-out of securities directly to client demat account' and Trading Members have been advised to comply with provisions of said circulars of Clearing Corporations (CC) applicable to them.

Important Points to be noted vide NCL circular No. NCL/CMPT/63669 dated August 30, 2024 and ICCL Notice No. 20240902-8 dated September 02, 2024:

- Direct payout is implemented in the equity cash segment (including netted cash and F&O physical settlement in 2 phases.
- Payouts shall be transferred to the demat accounts identified with Primary flag in the UCC database of the Exchanges and are validated by depositories.
- In case, there is no validated primary demat account available in Exchange UCC, the payout will be released to the clearing member pool account in phase 1.
- In phase 2, UCCs which do not have validated primary demat account (except proprietary UCC) shall not be Permitted to trade by the Exchange. On updation of demat account of such UCCs' by trading members and further validation by the respective Depositories, the said UCC shall become eligible for being considered as Permitted to Trade.

(Refer Circulars:

- 20250220-36 Dated February 20, 2025
- 20250218-51 Dated February 18, 2025
- 20250116-37 Dated January 16, 2025
- 20250110-47 Dated January 10, 2025
- 20241111-6 Dated November 11, 2024
- 20241109-9 Dated November 09, 2024
- 20241010-26 Dated October 10, 2024
- 20241008-32 Dated October 8, 2024
- 20241004-58 Dated October 04, 2024
- 20240911-56 Dated September 11, 2024
- 20240823-55 Dated August 23, 2024
- 20240705-37 Dated July 05, 2024)

Q. The framework for Client Code Modification monitoring and penalty is as under:

With reference to SEBI circular dated CIR/DNPD/6/2011 dated July 5, 2011 and CIR/MRD/DP/29/2014 dated October 21, 2014 and further to Exchange notice nos. 20110706-1 dated July 6, 2011, 20110729-24 dated July 29, 2011, 20110826-4 dated August 26, 2011, 20111214-4 dated December 14, 2011, 20111104-16 dated November 4, 2011, 20140625-15 dated June 25, 2014, 20141021-15 dated October 21, 2014, 20160210-23 dated February 10, 2016, 20161102-18 dated November 2, 2016, 20190911-56 dated September 11, 2019, and 20190913-56 dated September 13, 2019, 20231129-47 dated November 29, 2023 and 20250109-8 dated January 09, 2025 regarding modification of Client Codes.

With an objective to reduce order entry mistakes and to discourage client code modifications, levy of penalty in all cases of client code modification was considered and accordingly a revised penalty structure has been implemented.

1. Penalty on Client Code Modification where either original code or modified client code is non-institutional client category:

- i. As per Exchange notice nos. 20110729-24 dated July 29, 2011, 20110826-4 dated August 26, 2011 and the latest Exchange notice no. 20250109-8 dated January 09, 2025, any client code modification from a non-institutional client category to non-institutional / institutional client category is subject to penalty. Further, client code modification from an institutional client category to non-institutional client category is subject to penalty:
- ii. The following penalty structure is applicable:

| 'a' as % of 'b' | Penalty as % of 'a' |
|-----------------|---------------------|
| ≤ 5 | 1 |
| > 5 | 2 |

Where:

“a” = Value (turnover) of non-institutional where client codes have been modified by a trading member in a segment during a calendar month.

“b” = Value (turnover) of non-institutional of the trading member in the segment during the calendar month.

2. Designated ERROR account and Client Code Modification:

- i. As per Exchange notice no. 20110826-4 dated August 26, 2011 and 20111214-4 dated December 14, 2011, Trading members are required to disclose the client codes which are classified as ‘Error Accounts’ to the Exchange at the time of UCC upload.
- ii. It is proposed to standardize the naming convention of the designated error account. The naming convention w.r.t classification of Error Accounts by the Trading Member will be as under:
 1. The client code of the designated error account should have the nomenclature as “ERROR” or “ERROR%” where % is a number.
 2. The name of the designated error account should have the nomenclature as “TM Name”.
- iii. In cases where the trading member fails to maintain a single active designated “ERROR” account, a penalty of Rs. 10,000 per month of violation is applicable. Further, after 3 months disciplinary action shall be initiated.

3. Modification to ERROR client code category and Liquidation of trades transferred to ERROR account.

- i. As per Exchange notice no. 20110826-4 dated August 26, 2011, 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 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.
- ii. Trading Members will be provided with a timeline of 3 working days (including the day of trade) to square off / liquidate their trades flowing into error account. In case trades / open positions are not liquidated or squared off within the prescribed time limit, a penalty as prescribed in para 1.2 of Exchange Notice No. 20231129-47 would be applicable. This timeline is subject to availability of liquidity in the scrip/contract. In case the liquidity is not sufficient, the Trading Member should approach the Exchange within one trading day if sufficient liquidity is not available at the Exchange. The square off / liquidation must be done at the earliest. The decision of the Exchange on the question of “Availability of liquidity” will be final and binding
- iii. In case of modification from original client code to ERROR account and then from ERROR account to some other client code, a penalty at the rate of 2% of traded value will be levied. In case of

such repeated instances, in addition to the penalty levied further disciplinary action as deemed fit would be initiated.

- iv. Exchange will periodically review the trades flowing to “error accounts” of the brokers. For suspicious or unusual modifications observed, suitable disciplinary action would be initiated.
- v. Trading Members are required to implement internal controls to minimize the instance of modifications into Error account to avoid disciplinary action proceedings from the Exchange. Internal controls implemented by brokers will be checked as a part of Inspection.

4. Framework for monitoring and penalty for modification between client codes of two entities classified under the Institutional category will be as under:

- i. Modification between client codes of two entities which are of the institutional category will be allowed only if the modification from both client codes is from different schemes / subaccounts of /managed by the same Institution. Such modifications shall not be subject to penalty. For FPIs, the group will be considered as uploaded by Members under “File upload facility on Extranet system for uploading Foreign Portfolio Investors (FPI) allocation details”
- ii. With respect to trades settled through DVP mechanism, Trading Members would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism. In the event that, the Exchange finds that modified client code is not of / managed by the same institution, penalty shall be levied.
- iii. Any modification between two client codes which are of institutional category and do not satisfy the criteria mentioned in para 4.1 of Exchange Notice No. 20231129-47 above i.e., modification between two unrelated institutional clients will be subject to penalty. For (4.2) and (4.3) the applicable penalty on such modifications will be computed as below:

| ‘a’ as % of ‘b’ | Penalty as % of ‘a’ |
|------------------------|----------------------------|
| ≤ 5 | 1 |
| > 5 | 2 |

Where:

“a” = Value (turnover) of non-institutional where client codes have been modified by a trading member in a segment during a calendar month.

“b” = Value (turnover) of non-institutional of the trading member in the segment during the calendar month.

5. Reasons for client code modification and error trades.

- i. As per SEBI circulars CIR/DNPD/6/2011 dated July 5, 2011, CIR/MRD/DP/29/2014 dated October 21, 2014, SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dated August 19, 2016 and further to Exchange notice nos. 20110706-1 dated July 6, 2011, 20110729-24 dated July 29, 2011, 20110826-4 dated August 26, 2011, 20111214-4 dated December 14, 2011, 20111104-16 dated November 4, 2011, 20140625-15 dated June 25, 2014, 20141021-15 dated October 21, 2014, 20160210-23 dated February 10, 2016, 20161102-18 dated November 2, 2016, 20190911-56 dated September 11, 2019, 20190913-56 dated September 13, 2019, 20231129-47 dated November 29, 2023 and 20250109-8 dated January 09, 2025, Trading members are required to provide the reasons for client code modification. Further, Trading members would also be required to provide the reasons for any transfer of trade (institutional or non-institutional) to ERROR account.
- ii. The facility of providing the reasons based on objective criteria has been provided in BEFS on the Client Code Modification module.
- iii. Trading Members are permitted to modify client codes for the following objective criteria only:

| Reason Code | Reason Description |
|--------------------|--|
| 1 | Modified to Error |
| 2 | Error-communication/Punching /Typing (similar UCC/name) |
| 3 | Modification with Relatives (as per Companies Act, 2013) |
| 4 | Allocation to related schemes / sub-accounts |
| 5 | Back to original client code |

6. Frequent Client Code Modifications:

- i. In addition to the penalty levied as stated above, Exchange shall undertake disciplinary actions as deemed fit in terms of Rules, Byelaws and Regulations of the Exchange against Trading Members who undertake frequent client code modifications.
- ii. Such instances of client code modification mentioned below shall not be considered while computing the frequency of client code modifications:-
 - Modification to ERROR account which is liquidated within 3 working days.
 - Modification between two client codes which are of institutional client category and belong to same group as specified in para 4.1 of Exchange Notice No. 20231129-47.

7. Client Code modification penalty waiver:

With reference to Exchange notice nos. 20110729-24 dated July 29, 2011, and 20110826-4 dated August 26, 2011, the following will be classified as genuine errors for the purpose of client code modification:

- 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 as defined under Companies Act, 2013).

Trading Members may kindly note that the request for waiver of penalty along with reason and relevant supporting documents should be submitted to the Exchange within a period of 3 calendar months from the date of levy of penalty failing which request for waiver shall not be accepted.

It may be noted that, SEBI had issued 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 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.

Proprietary trades shall not be allowed to be modified as client trade and vice versa and Stock exchanges shall submit a report to SEBI every quarter regarding all such client code modifications where penalties have been waived. Additionally, stock exchanges shall undertake stringent disciplinary actions against stock brokers who undertake frequent client code modifications. Refer to SEBI circular no. CIR/MRD/DP/29/2014 dated October 21, 2014 and Exchange Notice No. 20141021-15 dated October 21, 2014.

List of important Notices

| Circular No. | Subject |
|-----------------------------|--|
| 20230811-35 | Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs) |
| 20230801-17 | Due diligence of clients (It has been observed by the Exchange that clients are having multiple PAN's with same name and same bank account number) |
| 20230731-5 | Nomination for Eligible Trading and Demat Accounts |
| 20220727-51 | Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011' |
| 20220624-48 | Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011' |

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| 20220412-12 | Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations, 2011 |
| 20241204-7 | SMS and E-mail alerts to investors by stock exchanges. |
| 20250109-8 | Modification of Client Codes (All Segments) – enhancement in RTRMS (Real Time Risk Management System) and BEFS (BSE Electronic Filing System) modules |
| 20250220-36 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20250218-51 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20250116-37 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20250110-47 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20241111-6 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20241109-9 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20241010-26 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account - Extension of Timelines |
| 20241008-32 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20241004-58 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20240911-56 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20240823-55 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account. |
| 20240705-37 | Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account |
| 20250409-19 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20250311-7 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20250210-17 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20250109-74 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20241209-14 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20241108-53 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20241010-15 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240909-27 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |

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| 20240814-45 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240805-15 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240804-1 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240712-15 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240704-41 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240614-52 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240410-50 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240313-29 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20240207-44 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20231023-30 | Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011 |
| 20230902-1 | Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations 2011 |
| 20230818-44 | Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations 2011 |
| 20230421-49 | Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations 2011 |
| 20220727-51 | Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011' |
| 20220624-48 | Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations 2011' |
| 20220412-12 | Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations 2011 |
| 20111226-17 | Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulation 2011 and for In-Person verification (IPV) |
| 20250103-31 | Trading supported by Blocked Amount in Secondary Market |
| 20241114-3 | Trading supported by Blocked Amount in Secondary Market |
| 20231223-3 | Trading Supported by Blocked Amount in Secondary Market - Revised file format UCC |
| 20231211-51 | Trading Supported by Blocked Amount in Secondary Market- Revised file format - UCC |
| 20231018-39 | Trading Supported by Blocked Amount in Secondary Market - Revised batch upload file format UCC |
| 20230626-68 | Trading supported by Blocked Amount in Secondary Market |

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