



ASIAN MARKETS
— SECURITIES —

CLIENT CODE MODIFICATION S POLICY



CLIENT CODE MODIFICATIONS POLICY (ONLINE AND OFFLINE MODIFICATION):

BACKGROUND;

This is with reference to SEBI vide circular bearing reference no: CIR/DNPD/6/2011 dated July 05, 2011, NSE vide circular bearing reference no: 20110729-24 dated July 29, 2011, NSE vide circular bearing reference no: NSE/INVG/2011/670 dated Aug 26, 2011 regarding modification of client codes.

In this context, SEBI has stated that Stock Exchanges shall allow modifications of client codes of non – institutional trades only to rectify a genuine error in entry code at the time of placing / modifying the related order.

CRITERIA STIPULATED BY SEBI AND EXCHANGES FOR CONSTITUTING GENUINE ERRORS WITH REGARDS TO CLIENT MODIFICATIONS:

1. (a) 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
2. (b) Modification within relatives (“Relative for this purpose would mean “relative” as defined under the companies Act, 1956).
3. 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 under SEBI Circular dated July 5, 2011, provided the positions arising out of trades in error account are subsequently liquidated out / closed out in the market and not shifted to some other client code.

Disclosure of Error accounts to exchanges :

Trading Member is required to inform the Exchange on a daily basis by end of the day, the reasons for modification of clients of non – Institutional trades based on the criteria stipulated by SEBI and the Exchanges.

For this purpose, the Trading Member is required to download data after 6:30 p.m. everyday in the respective system of the respective Exchange, containing details of non - institutional trades modified by them during the day.

In case, the Trading Member fails to give any reason (based on the criteria set by SEBI and Exchanges) for modification of any of the non - institutional trades on the day of the trade itself, the same will be considered as modification for purposes other than the genuine error. In all such cases, the Trading Member shall become liable for penalty action, which shall be informed by the Exchanges to us, shortly. This penalty shall be in addition to the penalty which would be levied on the trading member, as per the SEBI Circular dated July 5, 2011, for modification of client codes of all the non – institutional



PENALTY FOR MODIFICATION OF CLIENT CODES OF NON – INSTITUTIONAL TRADES ;

Penalty for all cases of modification of client codes of non - institutional trades executed on the exchanges shall be 1% or 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.

The Exchange shall conduct a special Inspection of the Trading Member if modification exceeds 1% of the value of trades executed during a month and take appropriate disciplinary action, if any deficiency is observed.

PROCEDURE FOLLOWED BY THE DEALERS AND OPERATION PERSONNEL PERTAINING TO CLIENT CODE MODIFICATION POLICY:

The procedure followed by the Trading Member pertaining to Client Code Modifications is stipulated hereunder:

- The Dealer (HNI Team | Institutional Team) are authorized to carry out the client code modification after obtaining approval of his/her Head/Senior. This could be due to error in communication, punching error, typing error, etc.
- In case of Error in client code, the dealer intimates the Head of the Department of the respective team (HNI Team | Institutional Team), who ascertains the factual position, reasoning and approves the client code modification. In case required, Head has to verify Voice Recording | Email through which order was received by the Dealer and ascertain the mistake has happened at what level.
- The Head of the respective Department in turn intimates the Head of the Operations | Business and obtains the necessary approval for client code modification.
- If the nature of the trade change is genuine then the details of client code changes are transferred to Error Account. If carried out within the market hours then the trade changes are done online and beyond the market hours is intimated to the Exchange by way of a letter, as a good compliance practice.
- If the client code modification is carried out during trading hours i.e. from 9:30 a.m. to 3:30 p.m. for the F & O Segment, then the client code modifications are carried out online. In case of the Capital Market Segment, if the client code modification are carried out till 4:15 p.m. then the client code modifications are carried out online .
- In case or trade is transferred to Error Account then it should be squared off immediately latest by next trading day.
- On a daily basis, the genuine error details are uploaded on the respective exchange mechanism.
- On periodical basis, compliance officer has to review trades transferred to Error Account, reason of errors and its correctness.
- On Periodical basis, this policy needs to be reviewed and required modifications to be carried out with the approval of Board



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