



## CLIENT CODE MODIFICATION & ERROR POLICY

<b>Name of The Policy</b>	CLIENT CODE MODIFICATION & ERROR POLICY
<b>Prepared By</b>	Compliance Department
<b>Approved By</b>	Board of Directors
<b>Approval Date</b>	
<b>Last Reviewed on</b>	
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## 1. Objective

The purpose of this policy is to ensure that all Client Code modifications carried out at the Trading desk are in line with guidelines issued by the SEBI / the Stock exchanges from time to time.

## 2. Scope of the Policy:

Modifications in client codes are allowed only to rectify a genuine error in entry of client code at the time of placing / modifying the related order. The following client code modifications would be considered as genuine modifications:

- a) Error due to communication and/or punching or typing such that the original client code/name and modified client code/name are similar to each other but such modifications are not repetitive.
- b) Where original client code/name and modified client code/name belong to a family.

**Hereinbelow is the list of Permissible & Non-Permissible Client Code modifications:**

Scenarios	Type of Error	Permitted or Not Permitted	Details
Client to Error Account	Refer above Error Matrix for the types.	Permitted	Relevant supporting documents should be retained for records and reference.
Institution to Institution (same Family)	Punching Error	Permitted	Relevant supporting documents should be retained for records and reference.
Institution to Institution (Different Family)	Punching Error	Not Permitted	Relevant supporting documents should be retained for records and reference.
Institution to Non-Institution (Same Family)	Punching Error	Not Permitted	Relevant supporting documents should be retained for records & reference.
Non-Institution to Non-Institution (Same Family)	Punching Error	Not-Permitted	Penalty will be impose by the Regulator. However, we can ask for a waiver along with the relevant supporting documents which should be retained for records and reference.



Non-Institution to Non-Institution (Different Family)	Any Type	Not Permitted	-
Modify CP Code		Not permitted	Clearing Corporations will need to be approached for this.

**Record Maintenance and Management Reporting:**

- Any Client code modifications issues should be reported to the Key Personnel's and can be done only after getting approval (latest within a month).
- A separate register to be maintained by the company for the above purpose where full details will be recorded.
- Penalties levied by Exchanges for Client Code modifications should be reviewed/circulated to Management.

**Client Code Modification – Penalty Waiver:**

For Client Code modification cases where a penalty is levied by the exchange and the same qualifies for a waiver, an application for the waiver shall be prepared by Operations and submitted to the exchange post review by the Compliance department.

**ERROR TRADES:**

**Error Trade** are those trades which have been executed by mistake on account of the issues mentioned in the next para and have to be modified / allowed to be modified subject to the guidelines of the SEBI / Stock Exchanges and this policy.

For the purpose of this Policy, only the following types of trades are considered as Error and can be modified:

- 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.
- Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of the dealer.



- Excess execution against the Client's order
- Short execution or less than minimum booking execution against the Client's order
- Sale of a Security when it should have been bought
- Purchase of a Security when it should have been sold
- Purchase of an incorrect Security
- Sale of an Incorrect Security
- Purchase/ Sale of a security which is under Banned List
- Erroneous order placed by the Client (value/ volume etc.)
- System issue resulting in incorrect execution
- Wrong Client Code used for placing the Client's Order
- Wrong Exchange used for executing Client's Order

The above are the known reasons why some executed positions need to be taken into Error Account. Such Errors might result in a Profit or Loss to the Firm.

Additionally, the exchange has also specified that 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 05, 2011, provided the positions arising out of trades in error account are subsequently liquidated / closed out in the market as prescribed by the Exchange and not shifted to some other client code. The dealer should ensure that the trades in error should be square off/liquidate immediately or latest by within T+3 working days of the execution of trades, failing which penalty would be applicable as per the Exchange circulars.

The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange and this policy.

As required by the exchange, ABPL will inform the exchange the details of the account which has been classified as Error Accounts.

Error of any kind shall be informed immediately to the Senior Management, Head of Dealing/Segment, and risk management team. In cases, where the terminal operators have made mistake, they should



submit the complete trade details and approved Error / Modification proof to the risk management team and subsequently inform the Back office about the error so as to make the required modification/s. Modification/s will only be done after approval received from Head of Dealing and/or Respective authorities. The Operational/Approval Matrix is mentioned as below:

Details	Cash	FnO	Exceptional (When the regulars are not around)
Client Code Modifications	Co-Heads/ Desk Head	Co-Heads/ Desk Head	Compliance Officer
Error Trades	Co-Heads/ Desk Head	Co-Heads/ Desk Head	Compliance Officer
Adhoc Commission Changes	Co-Heads/ Desk Head	Co-Heads/ Desk Head	Compliance Officer
Permanent Commission Changes	Co-Heads/ Desk Head	Co-Heads/ Desk Head	Business Head
Expense Reimbursement	Sales ED		Business Head
ECM Transactions fulfilment	Sales ED		Business Head

The Risk management team & Compliance Team would review such error trades in detail in order to take corrective measures.

The Risk management team/Compliance Team would also review the repercussion of these errors and take necessary actions to reduce the severity of the exchange actions.

If required, Training program to be conducted to appraise Dealers about misuse of client code modification and also to train them so that errors are reduced while inputting of orders.

- Risk Management Team would also require to maintain separate MIS for all client code modification done and review / monitor the same periodically as they deem fit to curb occurrence of such mistakes. MIS should be maintained towards "Interim Approved Error trades with remediation details. MIS inclusions are mentioned in annexure 2.



- Operations should independently publish Error MIS (Post reconciliation between Operations processing application & Information shared by the dealing team) and it should be sent to the following:
  - CEO
  - CBO
  - Cash Desk Head
  - F&O Desk head
  - Head of Compliance
  - Head of Finance

This policy covers the expectation from the dealers with respect to “Error Trades:

To the best of the Traders ability, all Error positions should be squared-off immediately on realizing the open Error position. However, if the quantum of loss to the firm is going to be substantially high then the Traders are permitted to carry forward the position upto T+3 with the permission of Business Head and Head of Compliance.

- All Squaring-off Trades or Reversal of Open Error Position should be executed using the allotted “Error Account” which is also registered with the Exchange UCC.
- The Error account cannot be used for executing any “Buy Positions”.
- Any Open Long Positions at EOD should be squared-off on a best effort basis on the subsequent trading day. This would help us “Claim Insurance” if the loss is substantial. Management approval (i.e., IE Business head) is required if this can’t be achieved for any reason.

### **Other:**

- Insurance Claim should be assessed for any material error loss. Any material loss (i.e., above 10 Lakhs) should be discussed between the dealing team/Compliance/Risk and IE Management and actions should be taken on IE Management Decision.
- A detailed investigation as RCA should be done on critical error trade, and this should be documented and shared by the Dealers.
- All documentation or evidence should be supplied to Risk/Compliance & Operations. Operations should retain the same for reference & records



**Review:**

This policy shall be reviewed on periodic basis. In case of any change due to regulatory requirements in the policy which requires immediate modification, in such cases the policy amendments shall be executed with approval.



## **Annexure 1**

**All Error details should be supplied with the following:**

- Trade Date
- B/S
- Scrip
- Exchange/ Segment
- Quantity
- Rate
- Value
- STT (If applicable)
- P&L on the Trade including STT
- Client details
- Reason for the Error
- Proof to substantiate the Error (if available)

**All Open Error Position at the EOD should be supplied with the following information:**

- Trade Date
- B/S
- Exchange/ Segment
- Scrip
- Quantity
- Rate
- Value
- STT (If applicable)
- P&L on the Trade including STT
- Client
- Reason for the Error
- Proof to substantiate the Error (if available)
- Error realization time
- Reason for the Day End open position