



Policy for modification of Client Code of Non-Institutional Trades

Policy created by: Operational/ Risk Management Staff	Policy created on: 30.07.2011
Policy reviewed by: Compliance Head	Policy reviewed on: 14.08.2011
Approval Authority: Board of Directors	
Policy approved by: Board of Directors	Policy approved on: 03.09.2011
Periodicity of Review: Yearly	Last reviewed on: 12.07.2016
Version Number: 2	Effective date of implementation: 01.09.2011
Officer responsible for implementation:	Compliance Officer.

Objective: The main objective of the policy is to deal with modification of client code after the execution of trade and to create awareness amongst the relevant staff such as Dealers, Branch In-charge, Compliance Officer, Sub-brokers and Authorized Persons.

Background: SEBI vide its circular no. CIR/DNPD/6/2011 dated July 5, 2011 and National Stock Exchange vide circular nos. NSE/INVG/2011/18281 dated July 5, 2011, NSE/INVG/2011/18484 dated July 29, 2011 and NSE/INVG/2011/18716 dated August 26, 2011 and BSE Circular Bombay Stock Exchange Notice Nos. 20110706-1 dated July 06, 2011, 20110729-24 dated July 29, 2011 and 20110826-4 dated August 26, 2011 directed that modifications of client codes of non-institutional trades are done only to rectify a genuine error in punching of client code at the time of placing / modifying the related order.

As per the above mentioned circulars, the Stock Exchanges shall levy penalty to the Trading Members for Client Code Modification as per the calculation given below and transfer the amount to its Investor Protection Fund.

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

Where, a = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a month. b = Value (turnover) of non-institutional trades of the trading member in the segment during the month.

Accordingly, for the client code modification done on the Exchange system, the Exchange penalises as per SEBI defined penalty structure and in addition, the Stock Exchanges have been directed to conduct a special inspection to ascertain whether the modifications of client codes are being carried on as per the strict objective criteria set by the Stock Exchange, if 'a' as % of 'b', as defined above, exceeds 1% during a month and take appropriate disciplinary action, if any deficiency is observed.



Terms used in this policy**1. Genuine errors**

Errors 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 and modification within relatives ('Relative' for this purpose would mean "Relative: as defined under the Companies Act, 1956/2013)

2. Modification of client codes

Modification in client codes due to shifting of trade (Institutional or non-institutional) to the Error Account, which are subsequently liquidated/closed out in the market and not shifted to other client code.

Policy

All the Branch Managers and Relationship Managers are advised to communicate the correct client code to the dealers while placing orders for the clients. All Dealers are also advised to re-check and confirm twice the client code/scrip name to their best possible efforts before punching the order, so that the chances of any client code modification are minimized.

However, the below mentioned client code modifications are considered Genuine Errors as per the circulars issued by the SEBI / Exchanges:

1. Where original client code/ name and modified client code / name are similar to each other, but such modifications are not repetitive.
2. 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.
3. Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956/2013).

Provided there is no consistent pattern in the above mentioned modifications.

Process of Client Code Modification:

For any client code modification, the request will be made by branch or sub broker office to HO through a request mail in specified format stating the reason for the modification. The Compliance officer is authorised to deal with client code modification request. He will make sure that only those cases are entertained that are defined by the exchange as "genuine" from time to time. On meeting the Exchange parameters, he will verify the data with RMS Department for accuracy of the trade.



Any trade shifted (institutional or non-institutional) to the Error Account are subsequently liquidated/closed out in the market and not shifted to some other client code. New order would be punched in original code.

Once the client code is modified, the same will be intimated to the Exchanges in the prescribed format in the prescribed time as defined by the Exchange time to time.

In case if he finds any particular pattern of any client or branch, he will intimate the same to the Management to prevent the misuse of the facility. No further modification request will be entertained till the time, the management takes any further action.

Example of Genuine Error: The criteria for determining the genuineness of client code modification are as follows:

Client code HO 1234 wrongly entered DL5678 would be constructed as intentionally committed whereas MH1234 entered as MH 2341 may be a genuine punching error.

Policy communication: A copy of this policy shall be made available to all the relevant staff such as Dealers, Branch In-charge, Compliance Officer, Sub-brokers and Authorized Persons