POLICY ON ONLINE CLIENT CODE MODIFICATION (CCM)

1. Background & Regulatory Framework

This policy is framed in compliance with SEBI Circular No. CIR/DNPD/6/2011 dated July 5, 2011, SEBI Circular No. SEBI/HO/CDMRD/DRMP/CIR/P/2016/120, and subsequent NSE/BSE circulars governing Client Code Modification (CCM) in all trading segments. SEBI permits trading members to modify client codes only to rectify genuine clerical errors made during order entry or trade execution.

2. Objective

The objective of this policy is to establish strict controls, authorization procedures, and audit trails for online client code modifications, ensuring that the facility is not misused for tax avoidance, profit/loss shifting, or bypassing risk management controls.

3. Permitted Genuine Clerical Errors

Client Code Modification shall be strictly permitted only in the following genuine error scenarios:

A. **Error due to Similar Client Codes / Names:** Punching error where the trade is executed in an account code that is phonetically or numerically similar to the intended client code (e.g., code ST102 punched instead of ST120).

B. **Error within Family Codes:** Error in trade allocation among accounts belonging to the same family group (i.e., immediate family members as defined under Exchange norms).

C. **Error in Relatives / Group Entities:** Error in trade placement among related corporate entities / partners / directors where explicit authorization exists.

D. **Error due to System/Typographical Mistake:** Trade placed in the error/broker account instead of the genuine client account due to a typographical error during fast market execution.

Note / Clarification on Genuine Errors & Penalty Waiver (As per NSE Circular NSE/INSP/74326 dated May 20, 2026):

Criteria for Code Similarity: For penalty waiver, 'similarity in client code' is strictly defined as an error in a single character/digit (e.g., 248 to 249) OR a single interchange of adjacent characters (e.g., 248 to 284). Maximum 1 penalty waiver per quarter is allowed for the same client code pair.

Criteria for Name Similarity: Determined as per Name Reservation Rules under Rule 8 of Companies (Incorporation) Rules, 2014.

4. Strictly Prohibited Activities

A. Modification of client codes to transfer profit or loss from one client account to another.

B. Routine or repeated code modifications for the same client or dealer without valid justification.

C. Modification of client codes to evade margin requirements or regulatory penalties.

5. Online Modification Window & Operational Procedure

A. Time Window: Client code modifications must be executed online through the Exchange trading terminal / Member Portal strictly within the time window permitted by the Exchange on the same trading day (T day) or post-market window as prescribed.

B. Maker-Checker & Authorization:

- Dealers are not authorized to modify client codes independently.
- Every request for client code modification must be backed by a written/electronic request from the dealer explaining the genuine mistake.
- The modification must be reviewed and approved by the Compliance Officer / RMS Head / Designated Director before execution in the system.

C. Use of Error Account & Liquidation: In cases where the genuine client cannot be identified on T day, the trade shall be temporarily shifted to the registered "Error Account" of the Trading Member and subsequently liquidated as per Exchange rules.

Mandatory Timeline (NSE Circular NSE/INSP/74326 dated May 20, 2026):

Trades shifted to the Error Account must be liquidated in the open market strictly within 3 working days (including trade date T) and cannot be settled with the original client code or shifted to any other client code.

6. Penalty and Escalation Mechanism

A. Any modification falling outside the scope of genuine errors shall be subject to Exchange penalties and internal disciplinary action.

B. If a dealer commits repetitive client code modification errors, the Compliance Officer shall issue a warning letter, reduce trading limits, or temporarily suspend terminal access.

7. Monitoring, Record Keeping & Audit Trail

A. Maintenance of Logs: The Compliance Department shall maintain a daily register/log of all Client Code Modifications, including Original Client Code & Name, Modified Client Code & Name, Scrip Name, Quantity, Rate, Trade ID, Reason for modification, and Approval log.

B. Board Reporting: A summary report of all client code modifications executed during the quarter shall be placed before the Board of Directors for review.

C. Record Retention: All records, dealer logs, and authorization copies shall be preserved for a minimum period of 5 years for Exchange audit inspections.

8. Review of Policy

This policy shall be reviewed annually or as and when new circulars/directives regarding trade modifications are issued by SEBI or Stock Exchanges.