



# R.L.P. Securities Private Limited.

Corporate Member – NSE, BSE, MCX, NCDEX. DP - CDSL.  
SEBI Regn. NO: INZ000166638. DP : IN-DP-224-2016.



## ERROR CLIENT CODE MODIFICATION POLICY

### Objective:

The main objective of the policy is to deal with modification of client code due to error in punching the order, to eliminate miss use of error code modification and create an awareness amongst the relevant staff such as dealers, Branch In charge, Compliance Officer, Sub-brokers and Authorised Person on the said subject.

### 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 other circulars issued by various Exchanges directed that modifications of client codes of non-institutional trades are done only to rectify a genuine error in entry 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, which may change from time to time and the same may also be passed on to the client, if the error is due to Client mistake, if any deficiency is observed in client code modification beyond certain levels the Exchanges may also take appropriate disciplinary action.

### Policy:

As a matter of principle, RLP currently doesn't encourage client code modification of executed trades.

In order to maintain an orderly trade data, all the dealers are advised to hear patiently the Client Code, Scrip name, rate etc.. and reconfirm the same before placing the order.

However, with the expansion of business and large retail clientele trading, RLP is aware that there is possibility of a trade being executed erroneously under wrong UCC due to genuine punching mistake by the terminal user. For this reason, RLP is adopting a policy for client code modification / error account trade as follows:

- a) Client code modification requests will be strictly accepted only to rectify the genuine errors in entry of client code at the time of placing / modifying the related order; consequently dealers are expected to take utmost care / precaution while execution of client trades.
- b) RLP shall have the absolute discretion to accept, refuse or partially accept the client code modification requests based on Risk Perception and other factors considered relevant by us. RLP or any of its directors, employees will not be held responsible for Damages / losses due to such refusal or due to delay caused by such review.

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- c) We understand that, As per SEBI circular dated July 5, 2011 on client code modifications, penalty will be levied on all client code modifications w.e.f. August 1, 2011 (including genuine errors).
- d) RLP will allow Modifications in the client codes of Non-Institutional clients only for the following objective Criteria provided there is no consistent pattern in such modifications:
- 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 'Relative' as defined under sec. 6 the Companies Act, 1956)
  - Such modifications should not be repetitive in nature.
- e) For easy identification of “ERROR ACCOUNT”, RLP have registered a fresh client code as “ERROR” in Back office & the same has been uploaded in the UCC database of the Exchange(s)
- i. Any transfer of trade (Non-institutional) to “ERROR” of RLP would not be treated as modification of client code and would not attract any amount of penalty, provided the trades in “ERROR” are subsequently liquidated in the market and not shifted to some other client code. However operational costs as applicable & Profit / Loss from the transaction will be transferred to the concerned Dealer / Associate / Person responsible for the same
  - ii. Client Code Modification requests through “ERROR ACCOUNT” will be accepted only before the close of Trading Session of that day.(i.e., Equity segment 3.30 p.m. & Currency segment 5p.m and Commodity 11.30p.m.)
  - iii. Any client code modification will be allowed only with the prior approval of the Senior management and the Compliance Officer / Concerned Operations in charge should review every day the Error Account file sent by the Exchange
  - iv. All cases of modification of client codes of non-institutional trades executed on the Exchange and not transferred to RLP “ERROR ACCOUNT”, shall be liable for a penalty of 1% of 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 or as decided upon by the regulators from time to time. In addition to above it is well within rights of RLP to levy additional penalties in case concerned Dealer fails to submit any sufficiently valid reason for client code Modification.

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- v. Department head/ compliance officer are advised to analyze the mistake for genuineness of code modification, verify for patterns which indicates the intention to adversely impact one investor over other by transferring profits/ losses to/from specific codes.
- vi. The RLP shall conduct a special inspection of the concerned Dealer, if modification exceeds 1% of the value of trades executed during a month and such modifications are repetitive in nature and take appropriate disciplinary action, if any deficiency is observed.

## **Reporting Process:**

Department Head / Compliance officer are advised to update the modified cases report to the Board / Management on the implementation of the said policy periodically.

## **Review Policy:**

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

The policy may be reviewed by the Managing Director / Compliance Officer and place the changes in policy before the Board at the meeting.

## **Approval Authority:**

This Policy was placed before the board and approved by the Board of Directors in its meeting held on 06/03/2020 at our Head office.