

CLIENT CODE MODIFICATION (CCM) POLICY

1. Objective & Legal Scope

The purpose of this policy is to prevent market abuse, tax evasion, or profit shifting under the guise of trading corrections. Client Code Modification means changing the Unique Client Code (UCC) mapped to a trade after its execution on the trading terminal.

- **Mandatory Reference:** Framed in accordance with SEBI Circular CIR/DNPD/6/2011, NSE/INVG/56395, and subsequent directives.
 - **Core Rule:** CCM is an **exceptional remedy** to correct genuine data entry mistakes. It must never be used as a routine operational shortcut or trading service.
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2. Definition of "Genuine Error" vs. Prohibited Modifications

The system allows modifications exclusively to rectify authentic clerical errors made by a dealer or client during dynamic order entry.

2.1 Criteria for Permissible Genuine Errors

To request an error correction, the modification must fit into one of the following objective criteria defined by the exchanges:

- **Typographical/Punching Error:** Mistakes where the original UCC and the corrected UCC are structurally similar (e.g., swapping codes due to transposed letters or adjacent digits: Code `AB12` incorrectly entered instead of `BA12`).
- **Family Code Misplacement:** Error code shifting within a clearly pre-declared family group sharing identical registered details (e.g., shifting between accounts of husband, wife, or dependent child).
- **Immediate Systemic Deficit Mapping:** The trade was punched into a designated corporate "**Error Account**" because a client explicitly disowned the trade due to communication gaps, and the broker must liquidate the position.

2.2 Strictly Prohibited Modifications

- **Proprietary to Client (and vice-versa):** Shifting a trade from the broker's own proprietary account (`PRO`) to a retail client account, or vice-versa, is blocked.
 - **Repeated/Patterned Errors:** Frequent code corrections between identical pairs of clients (`Client X` repeatedly shifted to `Client Y`) will be flagged as an intentional profit-shifting scheme.
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3. Operational Control & Authorization Hierarchy

To eliminate unauthorized tampering, access controls are isolated from execution branches:

[Dealer Entry Error] → [Submit Request with Proof] → [Compliance/Head Desk Evaluates] → [Online Exchange Portal Entry]

- **No Branch & AP-Level Access:** Rights to execute an online client code modification on the exchange interface are disabled for AP, branches, and retail dealers.
- **Central Clearing Authority:** Modifications can only be executed by the **Head of Operations, Compliance Officer, or Proprietor** after reviewing the error details.

4. Step-by-Step Execution Workflow

When an entry error occurs on the trading floor, the operations desk must follow this sequential timeline:

1. **Immediate Reporting:** The dealer must report the mistake to the compliance head via internal email within **30 minutes** of trade execution, attaching the order log and matching client instructions.
2. **Genuineness Check:** The compliance officer reviews the request against the definitions in Section 2.1.
3. **The Error Account Option:** If the original client refuses the trade, the broker moves the position into its centralized **Designated Error Account**. The position must be systematically squared off in the open market and cannot be assigned to another client.

Online Exchange Update: Approved modifications are uploaded directly via the exchange's electronic portal (e.g., NSE ENIT Portal) within the strict daily **post-closing window** prescribed by the clearing corporation.

5. Penalty Allocation and Cost Recovery

Stock exchanges impose financial penalties on all non-institutional client code modifications to deter misuse.

5.1 NSE/BSE Penalty Architecture

Penalties are levied as a percentage of the total modified trade value based on the monthly frequency of errors:

Monthly Modified Trade Value Criteria	Penalty Percentage Levied by Exchange
≤ 1% of total non-institutional turnover	0.1% of the modified trade value
> 1% of total non-institutional turnover	1.0% of the modified trade value

5.2 Internal Cost Recovery Rule

- If the data entry error was caused by a clear, documented instruction mistake by the client, the exchange-levied penalty plus administrative costs will be debited from that **client's trading ledger**.
 - If the mistake was caused by a dealer on the brokerage floor, the penalty will be absorbed by the firm's internal operations budget or the respective branch desk.
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6. Record Retention, Reporting, and System Auditing

- **The Error Register:** The compliance team must maintain an electronic, unalterable **Error Log/Register**. This log must archive the original code, modified code, trade time, contract details, financial value, and the objective justification for the change.
 - **8-Year Preservation Rule:** All electronic logs, physical order slips, call recordings, and exchange submission receipts must be safely stored for **8 years**.
 - **Board Review:** A consolidated report detailing all client code modifications executed during the quarter, along with total penalties paid, must be presented to the **Board of Directors** and the Internal Audit Committee for review.
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