

# **ABans Group of Companies**

## **Client Code Modification / Transfer** **of Trade Policy**

**(Revised Edition: Jan'2019)**

*[Board Resolutions Dated: ASPL - 4<sup>th</sup> Jan'19 / ABSPL - 1<sup>st</sup> Jan'19 / ACIPL - 18<sup>th</sup> Dec'18]*

**ABans Securities Private Limited (ASPL)  
ABans Commodities (I) Private Limited (ACIPL)  
ABans Broking Services Private Limited (ABSPL)**

**(Applicable for all Exchanges/Segments)**

**Background:**

SEBI vide its Circular no. CIR/DNPD/6/2011 dated July 5, 2011, Circular no. CIR/DNPD/29/2014 dated October 21, 2014, SEBI/HO/CDMRD/DMP/CIR/P/2016/43 dated March 29, 2016 and SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dated August 19, 2016 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 a penalty to the Trading Members for the 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 Stock Exchange system, the Stock Exchange will penalize the Trading Members as per the SEBI defined penalty structure.

**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 Regulator, if the value of modifications exceeds 1% of the total turnover in a segment during a month and take appropriate disciplinary action, if any deficiencies are observed.**

### **ABans Policy:**

The modification of client codes is to be processed only in cases of genuine dealing errors and not otherwise as this will be in adherence to the Regulations laid out by the Regulator in this regards.

The following errors would be considered as genuine, provided there is no consistent pattern in such errors:

- i. Where original client code/name and modified client code/name are similar to each other, and**
- ii. Where original client code and modified client code belongs to a family (family for this purpose means spouse, dependant parents, dependent children and HUF).**

### **For example:**

- FA1234 entered as AF 1234 or FA 2341 will be considered as a genuine dealing error.
- Client code FA 1234 wrongly entered MN5678 would be construed as intentionally committed and disallowed

**We will strictly ensure that other than genuine dealing errors, no modifications of client codes are allowed without any exceptions whatsoever.**

### **On Line – Client Code Modification:**

Genuine dealing errors in client codes while placing orders are allowed to be modified. Client code modification facilities have been disabled from all the dealer terminals. **Client code modification shall be carried out only from the admin terminals located at Head Office Surveillance Desk under the intimation and approval from the Compliance Officer of the company.**

While carrying out the code modification, genuineness of the dealing errors shall be verified against corroborative circumstantial evidences like similarities of codes, trades in immediately preceding codes, square off trades without holdings or positions or any such other evidences shall have to be taken into account. Complete records of daily online trade modifications shall be compulsorily maintained in the soft form.

### **Off Line – Client Code Modification:**

#### **Client Code Modification during market hours;**

On execution of a trade, a Dealer immediately informs the Client over telephone or confirms the trade directly to the client in case he is sitting in the Dealing Office itself. If the client does not confirm the trade or refuses to confirm the trade on the plea that the concerned trade is not belonging to him, the Dealer immediately takes steps to find the correct client code as per his records, and/or refers to the voice logger system under an intimation to the Compliance Officer and/or to the Operations Head about the dealing error. After filling a Client Code Error Sheet and signing the same, Compliance Officer and/or to the Operations Head authorizes the client code change. A letter is obtained from the respective client if the mistake is at their end while placing orders before sending the days contract notes to the respective client.

#### **Client Code Modification after market hours;**

Client code modification after market hours is done on an exceptional basis only. Genuine punching errors in client codes, if detected after the end of post closing sessions may be allowed to be modified subject to the verification of genuineness as narrated above. If a Dealer was not able to contact a client during market hours immediately after execution of trades, and the client subsequently refuses to accept the trade or if the client code entered is a non-existing one, the respective Dealer verifies other clients mapped with his terminal/refers to voice logger etc. On getting the correct client code, he updates the Client Code Error Sheet after taking approval from the Regional Head/Compliance Officer and/or from the Operations Head, and enters the correct client code.

For F&O and CDS segment, as far as possible, the errors would be rectified by reversal trade in next trading session and the differences in rates if any shall be set off by passing a JV entry in the ledgers of the affected clients. In case the client does not agree to keep the wrong trade record in his account, such trades may be rectified by moving both legs of the trades to the account of the actual client instead of settling it through a JV entry.

#### **Modification Mechanism through ERROR code:**

- An error account with the name “ERROR” is opened and UCC uploaded for the same to the Stock Exchange/s. UCC for the Error account is ERROR.
- Any trade shifted to the Error Account is / are subsequently liquidated/closed out in the market and not shifted to some other client code. New order would be punched in original code.
- Client code modification issues should be reported to the Compliance Officer / Operations Head at the Head Office for approval and it should be approved only after verifying the SEBI /Exchange directives issued from time to time.
- The Officer / Operations Head at the Head Office in charge should review every day the Error Account file send by the Exchange.
- A separate register to be maintained for this purpose where the details are recorded
- The modification of client codes is to be processed only in cases of genuine dealing errors and not otherwise as this will be in adherence to the Regulations laid out by the Regulator in this regards.
- **The client code modification shall be carried out only from the admin terminals located at Head Office Surveillance Desk under the intimation and approval from the Compliance Officer of the company.**

**Monitoring Mechanism and the Precautions taken:**

- Management has proper Monitoring mechanism in place to review such transfer of trades. A Client Code Error Register containing required details is maintained for all such modifications.
- Each code change approval has to be ratified later by any one Director, and is reviewed by Management in order to ensure that there is no regular pattern observed or any deliberate intentions involved.
- Also number of daily dealing errors made by each Dealer is reviewed and based on findings they are warned and instructed. Even clients are called to find out reasons for such code changes if situation demands.
- Dealers are required to show cause in writings at the Client code Error Sheet. Monitoring of such client code changes in a daily basis, if any, are done by Management, and the Dealers are specially instructed to remain careful while executing the trades.
- **Daily trades of a client are monitored and if modifications are repetitive i.e. five or more modifications are observed in a week, such clients are not allowed to trade unless Management is satisfied with the reasons provided by such client.**
- Training programs are conducted, and all the Dealers are explained how code modifications can be misused and what steps should be taken to avoid the same. The fact is conveyed to them that code modifications are not encouraged by the Management.

\*\*\*\*\*