



Client Code Modification / Error Code Policy

(Version 1.1 dated 27.02.2025)

(Last version 1.0 dated 12.12.2022)

Client Code Modification / Error Code Policy

Introduction:

SEBI vide its circular dated January 03, 2011 has issued guidelines pertaining to parameters to be put in place by the stock brokers for identification of client code modifications, arising as a result of genuine error or wrong data entry while placing online/offline orders. Stock Exchanges provide a facility to modify client code after the trade has been executed to rectify any error or wrong data entry at the time of punching orders. However, such Client Code Modification is subject to certain guidelines issued by SEBI and the Stock Exchanges in this regard. GEPL Capital Private Limited ("GEPL") through this policy ensures compliance with modification and their update from time to time.

Objective:

The purpose of this policy is to ensure that all Client Code modifications carried out at the Trading desk are in line with guidelines issued by the SEBI / the Stock exchanges from time to time.

Scope of the Policy:

Modifications in client codes are allowed only to rectify a genuine error in entry of client code at the time of placing / modifying the related order. The following client code modifications would be considered as genuine modifications:

- I. Error due to communication and/or punching or typing such that the original client code/name and modified client code/name are similar to each other but such modifications are not repetitive.
- II. Where original client code/name and modified client code/name belong to a family.

Permissible & Non-Permissible Client Code modifications:

Scenarios Details	Type of Error	Permitted or Not Permitted	Details
Client to Error Account	Refer above Error Matrix for the types.	Permitted	Relevant supporting documents should be retained for records and reference
Institution to Institution (same Family)	Punching Error	Permitted	Relevant supporting documents should be retained for records and reference.
Institution to Institution (Different Family)	Punching Error	Not Permitted	Relevant supporting documents should be retained for records and reference.
Institution to Non Institution (Same Family)	Punching Error	Not Permitted	Relevant supporting documents should be retained for records & reference
Non-Institution to Non-Institution (Different Family)	Any Type	Not Permitted	-

Modify CP Code	-	Not permitted	Clearing Corporations will need to be approached for this.
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Record Maintenance and Management Reporting:

- I. Any Client code modifications issues should be reported to the Key Personnel's and can be done only after getting approval.
- II. A separate register to be maintained by the company for the above purpose where full details will be recorded.
- III. Penalties levied by Exchanges for Client Code modifications should be reviewed/circulated to Management.

Changes in Back Office Software or Front Office Software:

1. The same needs to be updated in sync with the appropriate vendor.
2. Such implementation shall be done on or before the directives provided by the exchange/SEBI before the due dates and in case of such changes takes time then, appropriate system shall be adopted during the interim period till it is done by the vendor.
3. Any error/VANDHA with respect to such changes shall be transferred in error account and the penalty based on the quantum of the error shall be claimed from insurance or any other mechanism in place for such error.

Client Code Modification – Penalty Waiver:

For Client Code modification cases where a penalty is levied by the exchange and the same qualifies for a waiver, an application for the waiver shall be prepared by Operations and submitted to the exchange post review by the Compliance department.

Error Trades:

“Error Trades” means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy. The Exchange has provided the facility of client code modification only with a view to rectify genuine errors. The facility is mainly to provide a system for modification of client codes in case of genuine errors in punching / placing the orders. It is to be used as an exception and not a routine. To prevent misuse of the facility Stock Exchanges levy penalty / fine for all non-institutional client code modifications. This policy is applicable to all Client Code Modifications carried out / to be carried out in any of the client accounts, subject to guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange.

Following trades are considered as Error and can be modified:

- a) 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.
- b) Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of the dealer.

- c) Excess execution against the Client's order.
- d) Short execution or less than minimum booking execution against the Client's order.
- e) Sale of a Security when it should have been bought.
- f) Purchase of a Security when it should have been sold.
- g) Purchase of an incorrect Security.
- h) Sale of an Incorrect Security.
- i) Purchase/ Sale of a security which is under Banned List.
- j) Erroneous order placed by the Client (value/ volume etc.)
- k) System issue resulting in incorrect execution.
- l) Wrong Client Code used for placing the Client's Order.
- m) Wrong Exchange used for executing Client's Order.

Error Account:

- I. A separate error account (Client Code – ERROR) is earmarked to shift the trades from any institutional or non-institutional account.
- II. The Error Account will be in the name of "GEPL Capital Pvt. Ltd." as 'PRO/OWN' with the PAN details of GEPL.
- III. The error trade will not be allowed to be modified post trading day.
- IV. No trades are permitted to transfer from the error account to any other client account.
- V. Post transfer, the trades in the error account will be either liquidated or closed out in the market.

Penalty

- I. Genuine trade modifications are not exempted from the exchange penalty.
- II. Only trades modified from the institutional or non-institutional client code to 'Error Account' are exempted from the exchange penalty.
- III. Based on the analysis of scenario leading to trade code modifications, the penalty levied by the exchange would be either deducted from the client or GEPL.
- IV. The profit resulting out of liquidation or close out will be retained in the 'Error Account'. The profit may be shared with the client based on the directions given by the investor grievance cell of the exchange based on the client's plea.
- V. Based on the analysis of scenario leading to trade code modifications, the loss resulting out of liquidation or close out will be borne by client or GEPL. The brokerage and other transaction charges will be levied from the client in case of error are established on account of the client.

Authorized Person to Make the Modifications

Every code modification request is authorized by the Compliance Head. After assessment about the genuineness of the error he approves or reject the code modification request.

The Board and Management Directives

The Board and Management have approved this policy and instruct all the office bearers to follow it strictly.

- To control the punching error, it has been decided that client code mapping will be restricted in trading terminals.
- To maintain Client Code Modification registers with immediate effect for recording the errors.
- To ascertain the occurrence of the error as mentioned above, checks and balances shall be done and the directives by the regulatory bodies shall be followed in case, of any error of exchange/SEBI notification.

For **GEPL Capital Private Limited**

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