ACME CAPITAL MARKET LIMITED

Policy for Modification of client codes of trades executed on Stock Exchange

BSE Membership No. – 6817
SEBI Regn. No. - INZ000311839

Policy for Modification of client codes of trades executed on Stock Exchange

I. Background:

With a view to strengthen the client code modification process, SEBI vide its circular no. CIR/DNPD/5/2011 dated July 05, 2011 directed all the Stock Exchanges that they may allow stock brokers to modify client codes of non-institutional trades only to rectify a genuine error in entry of client code at the time of placing / modifying the related order. SEBI has also specified stringent monetary penalty on the stock brokers for modification of client codes of non-institutional trades.

Accordingly, Stock Exchanges have issued detailed circular and guidelines to be followed by the Stock Broker for doing any modification of client codes of non institutional trades. Exchanges have also asked stock brokers to prepare well documented error policy to handle any client code modification of non institutional trades. In light of the above, ACME has prepared the following policy with respect to modification of client codes of non-institutional trades executed on Stock Exchange.

The policy will be known and referred to as "Policy for Modification of client codes of trades executed on Stock Exchange".

ll. List of key Circulars/directives/notices issued with regard to modification of client codes of non-institutional trades:

Sr. No.	Circular Number	Date of Circular	Issued By
1	CIR/DNPD/6/2011	July 5, 2011	SEBI
2	20110729-24	July 29, 2011	BSE
3	20110826-4	August 26, 2011	BSE
4	653 (NSE/INVG/2018484)	July 29, 2011	NSE
5	NSE/INVG/2011/670 (NSE/INVG/2011/18716)	August 26, 2011	NSE
6	MCX-SX/ID/613/2011	July 29, 2011	MCX-SX
7	MCX-SX/ID/629/2011	August 26, 2011	MCX-SX

III. Guidelines for modification of client codes of trades executed on Stock Exchange and which were known during market hours including post closing session

All the Employees, Sub-Brokers, Authorized Person, User etc. (hereinafter referred to as Dealer) engaged or associated in placing client orders on the Exchange.

Prescribed terminals shall ensure utmost precaution while placing the orders. Endeavour shall be made to ensure that there is no dealing error/ punching error by the Dealer while placing the orders for the client. Further, Dealer shall not be allowed to make any client code modification except in the case of genuine error in punching of client code at the time of placing /modifying the related order.

In case of genuine error in entry of client code, respective dealer shall make a request for modification of client code to the Risk Management & Surveillance (RMS) department. After verifying the genuineness of the request, employees in the RMS department will do the necessary client code modification or authorize the Dealer to carry out the necessary client code modification at his own terminal. It shall be ensured that all the client code modifications are appropriately informed to the Exchange.

Exchange has also specified that any transfer of trade (institutional or non- institutional) to the error account of the stock broker would not be treated as modification of client code and would

not attract any amount of penalty as specified in SEBI circular dated July 5, 2011, provided the trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code. For easy identification of error account stock brokers are required to register a fresh account as "ERROR" account and the same should be duly intimated to the Exchange. Accordingly, ACME has created a designated error account and intimated the same to the Exchange. All the dealers shall use the same designated error account only to transfer the trades arising out of genuine dealing/punching
error.

IV. Guidelines for modification of client codes of non-institutional trades executed on Stock Exchange and known after the close of the market

In case any genuine dealing error/punching error came to the notice of the dealer after the close of the market including the post closing session then effort shall be made to square off the position on the next working day/as and when possible in the market in the same client code and monetary difference if any shall be settled by passing the JV through designated "ERROR" Account. If the securities belongs to T2T group (Compulsory Delivery) and by genuine mistake dealer has sold the securities then monetary difference including auction/close out charges, if any shall be transferred to the designated "ERROR" Account by passing the accounting JV.

V. What is to be considered Genuine Error

Genuine error in case of modification of client codes of non-institutional trades shall be determined as follows:

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) Modification within relatives. Relative means 'Relative' as defined under Section 6 of the Companies Act, 1956 which is reproduced below:

List of Relative:

1. Members of a Hindu undivided family
2. Husband and wife
3. Father.
4. Mother (including step-mother).
5. Son (including step-son).
6. Son's wife.
7. Daughter (including step-daughter). 8. Father's father.
9. Father's mother.
10. Mother's mother.
11. Mother's father.
12. Son's son.
13. Son's Son's wife.
14. Son's daughter.
15. Son's daughter's husband.
16. Daughter's husband.
17. Daughter's son.
18. Daughter's son's wife.
19. Daughter's daughter.
20. Daughter's daughter's husband.
21. Brother (including step-brother).
22. Brother's wife.
23. Sister (including step-sister).
24. Sister's husband."

Some of the illustrative samples of error which may be considered as genuine error:
- ➢ Punching error/typing error of client codes
- ➢ Trade entered for wrong client due to communication error
- ➢ Modification within family members
- ➢ Institutional trades modified to broker error account.

VI. Penalty and its recovery

All cases of modification of client codes of non-institutional trades executed on the Exchange (including genuine error) and not transferred to the designated broker 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.

Management may at its discretion decide to debit the above said penalty amount to the client/ Dealer/ Relationship Manager/Advisor/Sub-broker/Authorized Person etc.

VII. Review of the policy

Management shall review the policy at periodic intervals to incorporate the changes if any made by SEBI, Exchange or any other regulators or to incorporate the changes necessitated due to changes in the market condition or to strengthen the internal control or for such other reason as they deem fit.

For **ACME Capital Market Ltd.**

Compliance Officer