



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

MADHUVAN SECURITIES PRIVATE LIMITED

POLICY ON CLIENT CODE MODIFICATION/CLD MODIFICATION

OBJECTIVE:

The main objective of the policy is to deal with modification of client code after the execution of trade and to create an awareness amongst the relevant staff such as dealers, Branch In charge, Compliance Officer and authorized Person.

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 NSE/INVG/2011/18716 dated August 26, 2011, SEBI Circular no. CIR/MRD/DP/29/2014 dated 21st October, 2014 and NSE circular No. NSE/SURV/27878 dated 21st October, 2014, NSE circular No. NSE/INVG/31729 dated 12th Feb, 2016, NSE circular No. NSE/INVG/35398 dated 19th July, 2017, directed that modifications of client codes are done only to rectify genuine error in entry of client code at the time of placing / modifying the related orders and NSE circular No. NSE/INVG/41356 dated 20th June, 2019, NSE circular no. NSE/INVG/41459 dated 28th June, 2019 and NSE Circular No. NSE/INVG/42106 dated 11th Sep, 2019 and NSE/INVG/56395 dated 17th April, 2023 directed that modification of Client codes of Non institutional trades executed on stock exchanges (All segments).

As per the above mentioned circulars, the Stock Exchanges shall levy penalty to the Trading Members for 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) 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.



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

Accordingly, for the client code modification done on the Exchange system, the Exchange penalizes as per SEBI defined penalty structure. and 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 Stock Exchange, if 'a' as % of 'b', as defined above, exceeds 1% during a month and take appropriate disciplinary action, if any deficiency is observed.

GENUINE ERRORS

Errors 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 and modification within relatives ('Relative' for this purpose would mean "Relative: as defined under the Companies Act, 2013)

Detail about the genuine Error: -

- Punching error/typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
- Trade entered for wrong client due to any miscommunication from the client/authorized representative of the client.
- Client code/name and modified client code/name are similar to each other but such Modifications are not repetitive.
- Family code (Spouse, dependent parents, dependent children and HUF)
- Institutional trades modified to broker error/pro account.

In case of NSE (NOTE: no consistent pattern in such modifications):

Client code/name and modified client code/name are similar to each other but such modifications are not repetitive.

Relative Code (spouse, dependent parents, dependent children and HUF) as defined under the companies Act.

Example of Genuine Error:

The criteria for determining the genuineness of client code modification are as follow:
Client code TV8118 wrongly entered TA4114 would be constructed as intentionally committed where as TV8118 entered as VT8118 or VT1188 may be a genuine punching error.

GENERAL CONDITIONS:

- The facility for Client Code Modification can be used only in case of Error Trade.



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

- The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI/ Stock Exchange.
- Proprietary trades shall not be allowed to be modified as client trade and vice versa.

MODIFICATION OF CLIENT CODE OF NON – INSTITUTIONAL TRADES EXECUTED ON STOCK EXCHANGES (ALL SEGMENTS): -

The facility of providing the reasons based on objective criteria have been provided in ENIT portal at;

Compliance – Client Code Modification- Client Code Modification Reason.

The Data Modification on a T+1 basis on ENIT portal.

The reason of modification is mapped as per following;

Reason Code	Description
1	Error due to communication or punching / typing error such that the original client code/name and the modified client code / name are similar to each other.
2	Modification within relatives (as per companies Act 2013)
0	Modified to Error

MODIFICATION TO ERROR CLIENT CODE CATEGORY AND LIQUIDATION OF TRADES TRANSFERRED TO ERROR ACCOUNT

- Shifting of any trade (institutional or non-institutional) to the error account of the trading member shall not be treated as modification of client code provided the positions arising out of trades in error account are subsequently liquidated / closed out in the market and not shifted to some other client code.
- Trading Members will be provided with a timeline of 3 working days (including the day of trade) to square off / liquidate their trades flowing into error account. In case trades / open positions are not liquidated or squared off within the prescribed time limit, a penalty as prescribed by the exchange would be applicable. This timeline is subject to availability of liquidity in the scrip/contract. In case the liquidity is not sufficient, the Trading Member should approach the Exchange within one trading day if sufficient liquidity is not available at the Exchange. The square off / liquidation must be done at the earliest. The decision of the Exchange on the question of “Availability of liquidity” will be final and binding.



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

- In case from the ERROR account, modification is done to some other client code, a penalty at the rate of 2% of traded value will be levied. In case of such repeated instances, in addition to the penalty levied further disciplinary action as deemed fit would be initiated.
- Exchange will periodically review the trades flowing to “error accounts” of the brokers. For suspicious or unusual modifications observed, suitable disciplinary action would be initiated.
- Trading Members are required to implement internal controls to minimize the instance of modifications into Error account to avoid disciplinary action proceedings from the Exchange. Internal controls implemented by brokers will be checked as a part of Inspection

CLIENT CODE MODIFICATION WHEREIN BOTH THE TWO CLIENT CODES (ORIGINAL CODE AND MODIFIED CODE) ARE OF INSTITUTIONAL CATEGORY THE FRAMEWORK FOR MONITORING AND PENALTY WILL BE AS UNDER:

- Modification between client codes of two entities which are of the institutional category will be allowed only if the modification from both client codes is from different schemes / sub-accounts of / managed by the same Institution. Such modifications shall not be subject to penalty. For FPIs, the group will be considered as uploaded by Members under the facility of “FPI Client Mapping – File Upload” as provided in “16.5 OTR allocation for Foreign Portfolio Investor (FPI)” under “Part B” of circular “NCL/CMPT/50876 dated January 03, 2022.
- With respect to trades settled through DVP mechanism, Trading Members would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism. In the event that, the Exchange finds that modified client code is not of / managed by the same institution, penalty shall be levied
- Any modification between two client codes which are of institutional category and do not satisfy the criteria mentioned above i.e., modification between two unrelated institutional clients will be subject to penalty.

the applicable penalty on such modifications will be computed as below:



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

"a" as % of "b"	Penalty as % of "a"
≤ 5	1
> 5	2

Where:

"a" = Value (turnover) of institutional trades where client codes (unrelated institutional clients) have been modified by a trading member in a segment during a calendar month.

"b" = Value (turnover) of institutional trades of the trading member in the segment during a calendar month.

REASON FOR CLIENT CODE MODIFICATION AND ERROR TRADES

- As per Exchange circular - NSE/INVG/41459 dated June 28, 2019, and NSE/INVG/42106 dated September 11, 2019, Trading members would be required to provide the reasons for client code modification and error trades.
- The facility of providing the reasons based on objective criteria have been provided in ENIT portal at: Compliance => Client Code Modification => Client Code Modification Reason
- The reason for modification is mapped as following:

Reason Code	Description
0	Modified to Error
1	Error due to communication or punching /Typing Error such that the original client / name and the modified client code / name are similar to each other
2	Modification with Relatives (as per Companies Act, 2013)
3	Allocation to related Schemes / Sub Accountants

FREQUENT CLIENT CODE MODIFICATION

- In addition to the penalty levied as stated above, Exchange shall undertake disciplinary actions as deemed fit in terms of Rules, Byelaws and Regulations of the Exchange against Trading Members who undertake frequent client code modifications.
- For above such such instances of client code modification mentioned below shall not be considered while computing the frequency of client code



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

modifications.

- Modification to ERROR account which is liquidated within 3 working days.
- Modification between two client codes which are of institutional client category and belong to same group as specified in para 4.1 above.

PROCEDURE FOR WAIVER PENALTY

As per the exchange circular, the following will be classified as genuine errors for the purpose of Client Code Modification;

- 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 as defined under Companies Act, 2013).

MSPL will request for request for waiver of penalty along with the reasons and relevant supporting documents should be submitted to the exchange within a period of 3 calendar month from the date of levy of penalty.

DESIGNATED ERROR ACCOUNT

MSPL will disclose the client codes which are classified as 'Error Accounts' to the exchange at the time of UCC Upload.

Classification of Error Accounts by the MSPL are as under;

The client code of the designated error account should have the nomenclature as "ERROR" or "ERROR%" where % is a number.

The name of the designated error account should have the nomenclature as "TM Name - Error Account".

REPORTING SYSTEM:

Client Code modification issues should be reported to the Key Personnel's and can be done only after getting approval after knowing it's genuinely as per exchange directives.



MADHUVAN SECURITIES PRIVATE LIMITED
Member of National Stock Exchange of India Limited
Member of National Securities Depository Limited
CIN: U67120GJ1995PTC024502
Regd. Office
82, Madhuvan, Opp. Hotel West End, Ellisbridge,
Ahmedabad-380 006
Tel : 079-68198992 Email : info@madhuvan.com

Any Client Code modification shall be subjected to this policy be carried at Head Office of the company.

The company review every day the Error Account file send by the Exchange.

DATE:09/04/2024
