CLIENT CODE MODIFICATION POLICY

CAPITAL FOCUS

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Document Information

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CAPITAL FOCUS
DISCOVER THE TRADE

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1 Objective

The main objective of the policy is to deal with modification of client code after the execution of trade and to create awareness amongst the relevant staff such as dealers at HO dealing, branches, Franchisees. This policy has been prepared for CAPITAL FOCUS (member of MCX).

2 BACKGROUND

2.1 Commodity Broking

FMC vide its circular no. FMC/2/2011/C/0032 dated December 26, 2011 and FMC/2/2011/C/0011 dated September 28, 2011 and Multi Commodity Exchange of India Ltd. Vide its circular no. MCX/T&S/489/2011 dated December 29, 2011 and MCX/T&S/343/2011 dated September 30, 2011 and National Commodity Exchange of India Ltd. vides its circular no. NCDEX/TRADING-139/2011/374 dated December 27, 2011 and NCDEX/TRADING-111/2011/301 dated September 30, 2011 directed that Client code modification facility is allowed only for carrying out correction of genuine punching error(s) in the client code.

As per the above mentioned circulars, the Commodity Exchanges shall levy penalty to us for Client Code

Modification as per the calculation given below

‘a’ as % of ‘b’	**Penalty as % of ‘a’**
≤ 5	1% (subject to a minimum of Rs. 5,000/-)
> 5	2% (subject to a minimum of Rs. 5,000/-)

Where

a = Value (turnover) of trades in respect of which client codes have been modified by a trading member during a day.

b = Value (turnover) of trades of the trading member during that day.

3 TERMS USED IN THIS POLICY

3.1 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, 1956).

Example of Genuine Error: Client code FA 1234 wrongly entered MN5678 would be constructed as intentionally committed whereas FA1234 entered as AF 1234 or FA 2341 may be a genuine punching error.

3.2 Modification of Client codes

Modification in client codes due to genuine errors (Institutional or non institutional) to the Error Account, which are subsequently liquidated/closed out, in the error account to the extent possible.

Normally as a principle, other than for punching errors, no modification to the client codes to be allowed. Therefore it is imperative that the issue should be reported to the senior level Manager/Director and only with his approval, the modification should be carried after being satisfied that it is genuine, the same is required to be done to protect the interests of the client. Hence the facility to modify the client codes should be available only at the Corporate Manager level and should not be given to the branches/franchise/sub- brokers.

4 REQUIREMENTS AND PROCESSFLOW

- Error account is opened in the nomenclature "Error" and accordingly UCC uploaded for the same to the Exchanges.
- The modification of client code is to be done only in exceptional cases and not in routine case.
- Any trade will be modified (institutional or non institutional) either to the correct client code or to the Error Account. In case the trade is modified to the Error account then in such case the position to be liquidated/closed out in the market in the error account to the extent possible.
- Dealers to report the error trades immediately to their dealing head/ head of department.
- Dealing head/ head of department to evaluate the error trades and arrange for submission of the requests as in the prescribed formats under the approval criteria as detailed below.
- The Retail desk would submit the duly filled and approved prescribed format to the Operations /RMS for further processing.
- The open position to be liquidated in Error code only.
- If the said position is transferred to the correct client code or has not been able to liquidate in Error code due to upper/lower freeze, fall under the category of compulsory settlement by delivery or any other reason than such trade will be modified to correct client code directly. In this case penalty which is imposed by the Exchange for the non institutional codes, same shall be transferred to client account. In case the client does not accept the penalty the same may be debited to the dealers responsible for the error, unless the same is exempted under management approval.

- The Compliance Officer shall review the details of the Error files send by the Exchanges and Error account of the company and report to the Designated Director on the same day or within next working day, all trades which has been moved to the Error account.
  Operations team to analyze the code changes for all the instances for the following:

    a. Genuineness of code modifications,

    b. Verify for patterns which indicates the intention to adversely impact one investor over other by transferring profits/ losses to/from specific codes.

    c. Number of instances of the code modifications occurred by the same dealer visa vies the trade value, profit/loss incurred

    d. Number of instances occurred for the same set of clients/group visa vies the trade value, profit/loss incurred

- The Operations team need to maintain an MIS in the prescribed format or as amended from to time and report to the Designated Director on periodical basis (monthly) or as decided from time to time.

5 REVIEW POLICY

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs and would be placed before the Directors committee for their review and approval.

6 POLICY COMMUNICATION

A copy of this policy shall be made available to all the relevant staffs.

7 REFERENCE TO THE CIRCULARS

7.1 Commodity segment

- FMC Circulars No.- FMC/2/2011/C/0032 dated December 26, 2011
- FMC Circular No.: FMC/2/2011/C/0011 dated September 28, 2011
- MCX – Circular No : MCX/T&S/489/2011 dated December 29, 2011
- MCX Circular No.: MCX/T&S/343/2011 dated September 30, 2011
- NCDEX – Circular No : NCDEX/TRADING-139/2011/374 dated December 27, 2011
- NCDEX Circular No.: NCDEX/TRADING-111/2011/301 dated September 30, 2011