SODHANI SECURITIES LIMITED

POLICY FOR CLIENT CODE MODIFICATIONS
(Approved at Board Meeting held on 02nd SEP, 2022)

Client code modifications

Trading Members are required to enter the Client Code at the time of order entry in the NEAT system. Trading Members, who desire to modify the client codes subsequently, shall be provided with a facility to modify client codes at order level (not at trade level) on the trade date, during market hours and post market hours upto 4.15 p.m. However, proprietary trades are not allowed to be modified to client trades and vice-versa. Trading Members are allowed to modify the Client Codes in respect of client orders only on the trade date. Such modifications of a client code will be at the order level, hence all trades in respect of that order shall be modified with the client code provided against the order. Client code modification can be done through the NEATPLUS screen itself. Members are required to report the reason for such Modifications of Client Code in the UCI Module.

Client code modifications

The need to modify the client codes arises mostly in transactions done on the NEATPlus front end trading software when used for trading. The basic reasons for instances of Client Code modifications are following:

1. There is no validation of client code while order entry on the NEATPlus except for a warning about non-existence of client code in database and option to add the same in the client master of the application.

2. In NOW and other CTCL softwares the requirement to register the client in the application is a must before placing any order in the system.

3. The NEATPlus software does not display the name of the client against the client code to enable the dealer to rectify his mistake of wrong punching of codes.

4. It is common for clients to forget their client codes and give wrong client codes while placing orders. Although the dealer knows clients personally, it is possible that he may not reverify the client codes with the back office before entering the order due to paucity of time or work pressures. This generally happens in case of non-regular clients or clients having a large number of accounts for different members in their family and with little differences in client codes (Examples 1K023 for Client X and 1K027 for Client Y.

5. NEATPlus has an functionality wherein the Account No and Participant of previous Order details are saved in the order entry module. Many a times during volatile markets with heavy fluctuation in prices and last minute pressure to square up open intraday positions in Cash Markets, the order entry with the previous Client Codes get entered and thereby requiring the client codes to be changed subsequently.

6. In case of some clients who have actually sold shares in wrong accounts insist for change in client codes when they realize that delivery is held in other family account. In such cases inspite of no fault of the dealer, the codes have to be modified to pacify/accommodate the client.

7. The requirement of entertaining or doing a client code modification become very acute where the transaction is part of one leg of intraday transaction and delivery positions are likely to be generated in case the modification is not done or where it is a sale transaction and non-modification would lead to non-delivery and subsequent auction of shares. It also depends upon the client's profile – in terms of business volume and importance to the over all organization.

Procedure for Client Code modification:

A. **DETECTION OF ERROR.**

- Errors detected during the market timing:
  i. Generally if the price difference is not large and the wrong code also belongs to the same client's family account, the positions are reversed and transaction is converted into a proper code. In case of unrelated accounts also, the transactions are reversed in case of stable market conditions and where prices have not moved appreciably. Gain if any in the transaction to the wrong client account, is transferred to the actual client by way of Journal Voucher.
  ii. If the above course of action is not available due to high volatility or appreciable movement in price, the code is modified using the NCMS module provided by the Exchange.

- Errors detected after the market close but before 4.15 PM:
  The code is modified in the NEATPLUS Terminal provided by the Exchange. This generally happens when the wrong code is detected during the client confirmations or when the code is non-existing the transaction is rejected by the back office for processing.

- Errors detected after 4.15 PM:
  Such errors are detected when the client reports wrong trade in his trade confirmation or the original client reports non-confirmation of his trade. Some times such errors are also detected by the back office staff as delivery positions may get generated in such cases and the client may not have shares in his demat account for delivery.

B. **REPORTING OF ERROR.**
- Once it is known that there likely is an event of wrong client code punching, the matter is referred immediately to the dealer who has entered the order in the system.
- The Dealer has to determine and report to the Executive Director as to how the mistake has occurred and whether the mistake lies at our end or it was due to client wrong reporting.

- In case of any doubt, the client in whose code the transaction got executed is also contacted to rule out any chances of dealer-client collusion or wrong claims of the client. It is done in such cases where the client could have possibly placed such order based upon his prior trading history, trading pattern (trading volume, etc), existence of stock in his demat account
- Once it is determined that the client code modification has to be done in the best interest of the client and to ensure that settlement obligations to NSE are properly met, the Executive Director decides the best course of action available to take such an action:
  i. NSE Reporting – Changes made through NEATPLUS in case the error is detected before 4.15 PM.

  ii. In case the trade is not loaded or trade is rejected by the back office system due to invalid client code, correct client code is updated while importing the trades in the back office.
  iii. The trade is deleted (if already imported in the back office system) by the System Administrator and then reloaded after modifying the client codes in the trade file.

ANALYSIS OF CLIENT MODIFICATIONS & PREVENTIVE ACTION FOR PREVENTING NON-RECURRANCES

An analysis of reasons requiring client code modifications is done on a periodical basis and efforts are made to determine if there is any pattern is noticed in such changes requests. Study of changes made in the past few months has revealed that majority of the changes were required to be made due to incorrect entry of client password were in one or more of the character is missing. Some examples – 1M046 entered as M046 or only 46 or 1M46, etc. No changes were noticed which could have resulted in transfer of gain from one client code to another as intraday transactions in our company are being done only by a few limited clients. Our clients are aware that it is our company's policy of not accepting client request for change of client code for the purpose of shifting gains or losses.