

DAILY GONG FINANCIAL SERVICES LIMITED

(Formerly ISS Enterprise Ltd.)

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MEMBER : NSE, BSE & MCX, DP : CDSL :: SEBI REGN. NO. INZ000157633

Client Code Modification Policy

DAILY GONG FINANCIAL SERVICES LTD. (Formerly ISS Enterprise Limited) is a wholly owned subsidiary of Inter-connected Enterprises Limited.. SEBI has issued circular CIR/DNPD/6/2011 dated July 5, 2011 [<https://www.sebi.gov.in/legal/circulars/jul-2011/modification-of-client-codes-of-non-institutional-trades-executed-on-stock-exchanges-all-segments-20007.html>] regarding modification of client code of non institutional trade executed on Stock Exchange mentioning their in penalty to be imposed on the trading member by the exchanges for modification of client code by trading members while executing the trades.

According to SEBI circular if the percentage of the client code modification of non-institutional trades is

- 5% or less of the total non-institutional trades executed during the month ,then in that case penalty is 1% of the value of the client code modification will be levied and
- if it is more than 5% of the total institutional trade the penalty is 2% of the value of non institutional trade where client codes have been modified.

After the above SEBI Circular BSE and NSE have issued notice on 29 July 2011 and 26 August 2011 prescribing the strict objective criteria for identification of general error in entry of client code of non-institutional trades. Such criteria are

- 1) Punching error/typing error of client codes.
- 2) Trade entered for the wrong client due to communication error.
- 3) Modification within family members.
- 4) Institutional trades modified to broker error accounts.

Further NSE vide its circular dated 26August 2011 stated that trading members should have well documented error policy to handle client code modification. Similarly BSE vide its notice dated August 26, 2011, had insisted on well documented policy on modification of client codes. The exchanges further advised that an “**ERROR**” Account be opened to transfer the trades to this client code from where it should be liquidated.

Pursuant to the above, ISS has following policy / procedure with regards to client code modifications.

1. ISS has created an “**ERROR**” UCC code and the same has been uploaded to both the exchanges. The error trades are squared off from the same ERROR UCC code. It will not be shifted to some other code
2. The Authorized Persons who modify code are required to inform ISS the reason for client code modification.
3. The client code modification is permitted only if the same is on account of punching error or typing error of client code modification of codes within family members or wrong client codes enter on account of communication error.
4. In case of client code modification is on account of above reasons frequently, then in that case the clarification is to be obtained from Authorized Persons and in case reply received from Authorized Persons is not satisfactory then the A.P is warned.
5. Penalty @ 1% or 2% will be levied as prescribed by the regulator above.