

POLICY FOR DEALING WITH ERROR TRADES AND CLIENT CODE MODIFICATION

Version 1.0

1. PREAMBLE

- 1.1. This policy is prepared by Kunvarji Finstock Pvt. Ltd for dealing with situations arising out of punching error committed by dealers at HO and branch office while entering orders of clients received by phone call, WhatsApp message, SMS or Email.
- 1.2. A dealer is required to be cautious and accurately enter the order as per instructions of the client with correct UCC, whether buy or sell, scrip or contract, limit price, and expiry date if the order is for any derivative contract. Repeated errors in punching will result in disciplinary action against concerned dealer including termination.

2. DEFINITIONS

- 2.1. Punching Error: A punching error is defined as an error while entering any of the attributes of an order by a dealer. The principal attributes in an order entry are as under:
 - (a) Client Code or UCC
 - (b) Symbol: Scrip symbol in cash market. In Derivative market, scrip, index or underlying commodity or currency pair with expiry date. In case of option the additional attributes are PE or CE and Strike Price
 - (c) Selection of Order type: whether buy order, sell order, stop loss buy order or a stop loss sell order
 - (d) Limit price: The limit price put in case of buy or sale order, in case of stop loss buy order or stop loss sell order, it will include trigger price as well as limit price.
 - (e) Quantity ordered with disclosed quantity, if any, specified by a client.
 - (f) Additionally, in case of an order for custodian client, the CP Code of the client in settler field
- 2.2. Error Trade: Error trade means and includes trade arising out of order which was entered with any attribute different than the client had instructed for. Examples of Error Trade are
 - (a) When an order was entered into with a client code other than the client code of the client who had given instructions for order entry. E. G. client code entered as A001 instead of B001 or HS523 instead of HS325

- (b) When a buy order is entered instead of a sell order.
- (c) When the order is placed for scrip or derivative contract other than for what the client has given instructions for. E.G. dealer buying RELINFRA instead of RELIANCE in Cash market or Buying NIFTY 23600 CE 4rd July 2024 contract instead of NIFTY 23600 CE 11th July 2024 expiry contract, or buying NIFTY 23600 PE 11th July 2024 contract instead of NIFTY 23600 CE 11th July 2024 expiry contract.
- (d) When limit price entered is different than what was instructed by client. E.G. If the client has given instructions to buy 50 shares of RELIANCE @ Rs 2910/- and the dealer has punched buy order for 50 RELIANCE at Rs. 2980/-
- (e) When quantity in the order is punched higher or lower than what the client instruction was for. E. G. If a client has given instruction to buy 50 RELIANCE and the dealer puts buy order for 500 RELIANCE.

2.3. ERROR Account

Error account is a client code opened by us in back office in each Segment and its UCC with our own PAN is uploaded on Exchange portal in all segments.

2.4. Client Code Modification

Client Code Modification (referred to as CCM in regulatory parlance) means and includes the modification of client code in an already executed order in Exchange Trading System. It must be noted that CCM results in modification of client code for the entire order and not for trades resulted out of the order. The significance of CCM at order level is that, if a client has given instruction to buy 100 RELIANCE and if the dealer has put buy order, through mistake, for 1000 RELIANCE which resulted into 10 trades for 100 shares each, the Stock Broker cannot modify trades 9 trades for 100 shares each. The Stock Broker will have to modify the client code in the order for 1000 RELIANCE which will result into moving all 10 trades from one client code to another for which modification is requested.

3. POLICY

A When the Error trade is identified during trading hours

- 3.1. KFPL does not permit Client Code Modification in ERROR Trade (actually in the order that resulted in ERROR Trade) from one client to another client under any circumstances.

- 3.2. All the ERROR trades are to be transferred to ERROR Account by modification of client code to ERROR Account by replacing existing client code with ERROR in the order, upon execution of which the trade was executed.
- 3.3. The rights of performing CCM in Exchange Trading System are assigned to RMS Team who shall perform it under instructions from designated senior official.
- 3.4. RMS team shall promptly square off the open positions in ERROR Account arising through CCM.
- 3.5. In case RMS Team is not able to square up the open position in ERROR Account before close of trading session, it shall adopt following course for dealing with the net open position of ERROR Account arising on account of CCM as under

If the net position is on buy side in cash segment	If the net position is on sale side in cash segment	If the net position is on any side in any derivative contract
To put sale order of entire quantity at 9:15 AM at market rate	<p>A. If it has resulted in delivery obligation of entire quantity in market, the same will be squared up by auction by CC ; and no action required</p> <p>B. If it has not resulted into delivery obligation in market due to matching with same scrip having bought by another client, then RMS Team to ensure to resort to voluntary auction mechanism provided by CC to ensure that the short position in ERROR account is squared up through auction.</p>	To square up open positions at market opening time at market rate.

B When the Error trade is identified post trading hours

- 3.6. The concerned dealer shall inform the senior official who is dealer's reporting authority about the details of punching error and how it adversely affected one or more clients.
- 3.7. The senior official will coordinate with the Compliance Officer and Operations Head to identify a way to satisfy grievance of the affected client.

- 3.8. The senior official will convey the resolution to the affected client and with client's concurrence and after obtaining approval required, the client shall be provided compensation agreed with the client by way of passing of credit by journal entry. The Operations Head will ensure that such JV is passed.
- 3.9. In case of the ERROR Trade has resulted into short position in cash market of a client who had not placed such sale order, and if the same is identified before 4:30 PM or prior to the settlement executing early pay-in instruction out of the client's holding, the same should be brought to attention of RMS Team. RMS Team shall ensure that the EPI of such securities sold in client account without client's instruction.

4. REPORTING

NSE has prescribed norms for reporting ERROR Trade and the date when the outstanding position in ERROR account is squared up. NSE has prescribed that positions in ERROR account shall be squared up as early as possible as but not later than one working day.

5. WHAT NOT TO DO

Do not square up position arising out of punching error in the account of the client. Ensure that position arising out of any erroneous order in any client code is transferred to ERROR Account.

6. KEY REQUIREMENTS

Apart from accuracy and commitment of dealers to perform their duty without error, once an error trade has occurred, the key requirement is fast and effective communication.

7. Conclusion

- 7.1. This Policy shall be effective from 22.06.2022 across all branches, HO and at AP Offices wherever dealing terminals are located.
- 7.2. The policy may be amended by Kunvarji Finstock Pvt. Ltd at any time without prior intimation.