



STOCK AND SHARES LTD.  
THE NEW SIGN OF SUCCESS...

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## ERROR CODE POLICY

### Background:

The Company offers stock broking facility to its clients and the transactions are executed as per the instruction of the clients. The dealers are required to carefully place orders only as per the instructions of the clients.

The Company recognizes that the "error is human" and that the possibility of error by the dealer while placing orders cannot be ruled out. Further there is a possibility that the client gives an instruction which he / she may claim to be an error on his part as well.

This policy deals with errors of both parties i.e. the error of the dealer while execution of transactions and the error on the part of the clients while passing on the instructions to the dealer.

### Types of errors:

The dealing errors could result from various reasons, some of which are given below:

Dealer's Errors	Client' Errors
Entering wrong client code while order placement.	Mentioning wrong code while instructing the dealer
Selecting wrong scrip while placing order.	Mentioning wrong scrip while instructing the dealer.
Placing the order for a wrong quantity.	Mentioning wrong quantity while instructing the dealer.
Placing buy order instead of sale and vice versa.	Requesting the dealer to place a buy order instead of sale and vice versa.

All the above errors might require transferring of the transactions from one client code to another client code and in such an instance the same shall be carried out in accordance with this policy.

### Regulatory Requirements:

The regulator and the exchanges view these dealing errors very seriously and have now imposed severe penalties in case such errors occur. In this regards the SEBI and Exchanges have issued the following circulars:



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- a) NSE/INVG/2011/18484 Dated. July 29, 2011
- b) BSE/20110729-24 Dated. Friday, July 29, 2011
- c) SEBI/CIR/DNPD/01/2011 Dated. Jan 03.2011
- d) SEBI/CIR/DNPD/6/2011 Dated. July 05, 2011
- e) NSE/INVG/2011/17029 Dated. February 17, 2011
- f) NSE/INVG/2011/18716 Dated: Aug 26. 2011
- g) NSCCL/SEC/2004/0464 Dated. May 31, 2004

As per the above circulars, the broker has to transfer the trades from the client's code to a specifically designated code viz. Error Account.

The Company has uploaded the said Error Account with a UCC 'ERROR' (BSE) & UCI 'ERROR' (NSE) to the Exchanges.

If there is error, then trade are transferred to "ERROR" A/c from this A/c further, action to square off is taken.

**Recommended Procedure by Regulators and Exchanges adopted by the Company:**

In case of occurrence of dealing errors the following action shall be taken for BSE cash Segment.

1. Dealers are strictly advised to modify client codes of non-institutional trades only to rectify genuine error in entry of client code at the time of placing / modifying the related order.
2. As per the direction of SEBI circular, the following strict objective criteria for identification of genuine errors in entry of client codes of non-institutional trades for all segments. We are permitted to change client codes of non-institutional clients only for the following criteria
  - (a) Punching error / typing error of client codes
  - (b) Trade entered for wrong client due to communication error
  - (c) Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956).
  - (d) Institutional trades modified to broker error account.
3. Further, We are required to inform the Exchange (through BEFS), on a daily basis by end of day, the reasons for modification of client codes of non-institutional trades based on the aforesaid objective criteria. For this purpose we will be downloading data after 6.30 p.m. every day in the BEFS system, containing details of non-institutional trades modified by us during the day. The dealer has to select any one of the above mentioned four objective criteria for





each of the modified trade, details of which is given in the BEFS system and submit the completed file to the Exchange by end of day.

In case of occurrence of dealing errors the following action shall be taken for (NSE) Individual Clients

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 up to 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 NSCCL Clearing Management System (NCMS) by uploading a client code modification file as per the prescribed format or through the NCMS screen itself. In case of file upload, the return file is generated in the members' NCMS local database and it contains the success or rejects status of the records along with the rejection code.

**For Institutional Clients:**

Members are required to enter a custodial participant code (CP code) at the time of order entry in the NEAT system. The CP code can either be INST or a valid CP code. On any particular trading day, members can modify the CP code at the order level during market hours and post market hours up to 4.15 p.m. This can be done through the NSCCL Clearing Management System (NCMS) by uploading a CP code modification file as per the prescribed format or through the NCMS screen itself. In case of file upload, the return file is generated in the members' NCMS local database and it contains the success or rejects status of the records along with the rejection code.

Shifting of any trade (institutional or non institutional) to the error account of the Broker shall not be treated as modification of client code under **SEBI circular dated July 5, 2011**, 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. With a view to minimize errors

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committed by the Dealers for each client code change, Management asks Dealers to write reasons for the same in Client code Error Sheet. Unless Management satisfied with the reason, no client code change to ERROR account is allowed. Daily monitoring of such client code changes are done by Management and Dealers are instructed to remain careful while executing the Trades. Dealers are required to take adequate precautions while placing the orders. All Staff members are advised to take note of the same and ensure necessary compliance.

**For DJS Stock & Shares Ltd**

*P. S. Bhatt*

**Pratik S. Bhatt**  
**Director**

