



**Bugle Rock Capital Private Limited**

# **ERROR TRADE AND CLIENT CODE MODIFICATION POLICY MANUAL**

*Strictly for Bugle Rock Capital Private Limited internal use only.  
The contents herein must not be reproduced in any manner, in whole  
or in part, for any other purposes, or divulged to unauthorized personnel*

## Table of Contents

|     |                                                        |   |
|-----|--------------------------------------------------------|---|
| 1.  | Background.....                                        | 3 |
| 2.  | Objective.....                                         | 3 |
| 3.  | Scope of the Policy .....                              | 3 |
| 4.  | Definition.....                                        | 3 |
| 5.  | Process / Documentation.....                           | 3 |
| 5.1 | Error Account.....                                     | 3 |
| 5.2 | Classification of Errors:.....                         | 4 |
| 5.3 | Genuine Errors:.....                                   | 4 |
| 5.4 | Exception Reports (Error Memos).....                   | 4 |
| 5.5 | Reporting of trade modifications to the exchanges..... | 5 |
| 6.  | Approvals.....                                         | 5 |
| 7.  | Process of Client Code Modifications Monitoring.....   | 5 |
| 8.  | Violation of Policy .....                              | 6 |
| 9.  | Confidentiality of this Policy .....                   | 6 |
| 10. | Surveillance:.....                                     | 6 |
| 11. | Penalty.....                                           | 6 |

## **1. Background:**

SEBI vide its circular No.CIR/DNPD/6/2011 dated 5th July 2011 and circular No. CIR/MRD/DP/29/2014 dated 21st October, 2014 and subsequent circulars thereon issued by BSE/NSE have mandated that modifications of client codes of non-institutional client's trades shall be only to rectify a genuine error in entry of client code at the time of placing the order or modifying the related order.

This document sets out Policy and procedure for trade error bookings and client code modifications for Bugle Rock Capital Private Limited Clients'.

## **2. Objective:**

- To put in place a policy for client code changes and error trade policy.
- This policy is in line with circulars issued by SEBI and NSE and BSE and accordingly shall need to be modified in case of any changes/modifications issued by SEBI / exchanges in future.

## **3. Scope of the Policy:**

This policy covers all the Client Code Modifications carried out / to be carried out in any of the client accounts, subject to the guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange for which Bugle Rock Capital Private Limited is a member brokers.

## **4. Definition:**

- "Error Trades" means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy.
- For the purposes of this document, "Dealer" refers to any Traders (Bugle Rock Capital Private Limited employees) entering orders on the trading system of NSE and BSE.
- "Dealing Desk" refers to the team designated to sit in the dealing room for client order execution.

## **5. Process / Documentation:**

### **5.1 Error Account:**

Bugle Rock Capital Private Limited has disclosed the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload.

It is proposed to standardize the naming convention of the designated error account. The naming convention w.r.t classification of Error Accounts by the Trading Member will be as under:

The name of the designated error account should have the nomenclature as “Bugle Rock Capital - Error Account”.

Any error trades punched on any client account shall be transferred to the above designated error accounts only and squared off during the same trading session. In case due to paucity of time if the trade could not be squared off on the same trading day, the same shall be squared off in the next trading session. Trades shall not be initiated using the Error account, i.e. the Error account must be used to transfer and square off error trades and NOT to create fresh positions.

**Under any circumstances any error trade shall not be transferred to any other client account.**

In order to minimize instances of error, it is recommended that all trades are punched properly in the cash and F&O segment by the dealing desk of the company.

## **5.2 Classification of Errors:**

Error – Where a position, either CM or F&O, is taken by the Bugle Rock Capital Private Limited due to an error caused by Either Personnel, Process or System.

Error types include but are not limited to;

- Sales / Sales Trader Error
- Dealing Error
- Operations Error
- System Error

## **5.3 Genuine Errors:**

Exchange has recognized following types of errors as genuine errors with regard to client code modification:

- Error due to communication and/ or punching or typing such that the original client's code/name and the modified client code/name are similar to each other.
- Modification within relatives (relative for this purpose would mean relative as defined under the Companies Act, 1956/2013)

However, dealers have to exercise due care while receiving and punching orders, as the above genuine errors too are subject to penalty and up to the discretion of the Exchanges

to handle the same on a case-to-case basis as per the guidelines set forth in SEBI Circular No. CIR/MRD/DP/29/2014 dated October 21, 2014 for Modification of Client Codes of non- institutional trades.

The above reasons shall be reported to the exchanges through the respective reporting interface (ENIT and BEFS).

**Example of Genuine Error: -**

The criteria for determining the genuineness of client code modification are as follows: 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.

**5.4 Exception Reports (Error Memos):**

For all instances of Client Code Modifications, Error Trades etc. an exception report / error memo (Annexure A) shall be generated by the dealing room (dealer or sales trader) and the same shall be submitted to Compliance/Head of Trading via email mentioning the details of the trades booked in error for information and record. The same is deemed to be approved, unless rejected by Compliance / Head of Trading.

As client code modifications shall be an item under audit review, care must be exercised to keep all the records with regard to such modifications.

**5.5 Reporting of trade modifications to the exchanges:**

Compliance shall ensure that reasons for modifications done are duly reported to the exchanges as per the prescribed process laid down by the exchanges in this matter.

The facility of providing the reasons based on objective criteria will be update at the ENIT portal at:

Compliance => Client Code Modification => Client Code Modification Reason

The reason for modification is mapped as following:

| Reason Code | Description                                                                                                                                                   |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0           | Modified to Error                                                                                                                                             |
| 1           | Error due to communication or Punching / Typing Error such that the original client code / name and the modified client code / name are similar to each other |
| 2           | Modification with Relatives (as per Companies Act, 2013)                                                                                                      |
| 3           | Allocation to related schemes / sub-accounts                                                                                                                  |

## **6. Approvals:**

The client code modification shall be carried out after due approval from compliance / senior management i.e. the modification needs to be done by Risk Team only after due approval by Compliance head / Dealing Head or Organization Head

Note - In case of any query, dealing team shall consult Compliance for clarifications.

## **7. Process of Client Code Modifications Monitoring:**

While noting the client code modification cases, Head of Trading will review the trend to ascertain whether such code modification is being done as per the criteria specified by SEBI/stock exchanges.

Repetitive client code modification will be highlighted to Compliance for further review & action.

Operations/Compliance will maintain details of the Error Log to track the various types of errors committed and will circulate the Error Log to, Head of Trading, for review on adhoc basis depending on the instances of errors and value involved. The head of trading shall undertake steps to inform team members to minimize errors through counselling / warning as the case may be.

Error trade records and supporting documents to the error forms should be maintained for a minimum period of 10 years to comply with record keeping requirements.

## **8. Violation of Policy:**

The policy is applicable to all employees of the dealing division of the company and any non-compliance or circumvention, whether intentional or otherwise, will involve action from the management.

The management may take appropriate action-based magnitude of the violation, the intention of the person committing such violation, impact of violation on the company or any other factor that the management may feel appropriate.

The management may advice, warn, reprimand, suspend, terminate or even take civil and criminal action against the employees based on the facts and circumstances of the case.

## **9. Confidentiality of this Policy:**

This is an internal policy of Bugle Rock Capital Private Limited and this policy is strictly for internal use and not for circulation or copying without the consent of the Senior Management and/or the Board of directors of the Company under extreme circumstances.

## **10. Surveillance:**

A record for trade change will be maintained with Compliance to keep track of frequent code change by Dealer & Trader.

## **11. Penalty:**

- Genuine trade modifications are not exempted from the exchange penalty.
- Only trades modified from the institutional or non-institutional client code to 'Error Account' are exempted from the exchange penalty.
- Based on the analysis of scenario leading to trade code modifications, the penalty levied by the exchange would be either deducted from the client or the Bugle Rock Capital Private Limited.
- The profit resulting out of liquidation or close out will be retained in the 'Error Account'. The profit may be shared with the client based on the directions given by the investor grievance cell of the exchange based on the client's plea.
- Based on the analysis of scenario leading to trade code modifications, the loss resulting out of liquidation or close out will be borne by client or Bugle Rock Capital Private Limited. The brokerage and other transaction charges will be levied from the client in case of error are established on account of the client.
- Further, based on the analysis of scenario leading to trade code modifications caused due to repeated negligence by the dealer, the management reserves the right to recover the exchange penalty/liquidation or close out loss along with the brokerage & other charges from the respective employee.

**ANNEXURE A**

**Error Memo**

**Bugle Rock Capital Private Limited**

| Client Code / CP / Error Modification Form |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|--------------------------------------------|-------------------------------------|-------|-------|-----|-------|----------------------|----------------------|-----------------|-----------------|------------------------|
| Date                                       | Exchange & Segment (BSE CM, NSE CM) | Scrip | B / S | Qty | Price | Original Client Code | Original Client Name | New Client Code | New Client Name | Reason for Code Change |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |
|                                            |                                     |       |       |     |       |                      |                      |                 |                 |                        |

Name & Signature of Dealer