Client Code Modification & Error Trade Policy

LGT Capital Markets Private Limited

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INTRODUCTION/ BACKGROUND

LGT Capital Markets Private Limited (hereinafter referred to as "LGT Capital") is incorporated under the Companies Act, 2013, with Corporate Identification Number (CIN) U66120MH2024PTC418285. LGT Capital is a SEBI-registered Stock Broker with registration number INZ000319637. It is a Trading Member of BSE Limited (BSE) with membership code 6877 and National Stock Exchange of India Limited (NSE) with membership code 90395. Further, LGT Capital is also SEBI registered Depository Participant of CDSL with registration number IN-DP-793-2025.

PURPOSE

The purpose of this policy is to ensure that all Client Code modifications carried out at the Trading desk are in line with guidelines issued by the SEBI / the Stock exchanges from time to time.

In accordance with the mandates set forth by SEBI and various exchanges through their circulars, client code modifications for trades shall be made solely to correct genuine errors in client code entry at the time of placing the order or modifying the related order. Despite diligent precautionary measures, errors can and do occur. Certain trading or operational errors have the potential to lead to material financial or reputational loss to the Firm and/or litigation.

SCOPE

This policy aligns with circulars issued by SEBI (CIR/DNPD/6/2011 dated July 05, 2011), (CIR/MRD/DP/29/2014 dated October 21, 2014) and NSE (circular no. NSE/INVG/56395 dated April 17, 2023), BSE (notice no. 20231129-47 dated November 29, 2023) and various other circulars issued by SEBI, NSE and BSE from time to time in this regard. This policy covers all the Client Code Modifications carried out/to be carried out by LGT Capital, subject to the guidelines issued by SEBI/Stock Exchanges, from time to time, in any segment of any exchange for which LGT Capital is a member.

DEFINITION

"**Error Trades**" means the trades which will be modified/allowed to be modified due to transaction conducted in the wrong account code/client code subject to the guidelines of SEBI/Stock Exchanges and this policy.

"**Client Code Modifications**" means modification/change of the client codes after execution of trades. Client code can be modified on the designated platforms provided by the exchanges (NSE/BSE) after the trade has been executed to rectify any error or wrong trade entry done by the dealers at the time of punching orders. However, such Client Code modification can be done keeping in mind the following:

- The time limit within which the client code modification is to be carried out.
- Terminal/system on which such modifications can be made, etc.

The facility is mainly to provide a system for modification of client codes in case of "Genuine Errors" in punching/placing the orders. It is to be used as an exception and not a routine. Stock Exchanges levy penalty/fine for client code modifications to prevent misuse of the facility.

"**Genuine Errors**" means the trades which have been conducted in good faith and is permitted to be modified/allowed subject to the guidelines of SEBI/Stock Exchanges and this policy. The Circulars and clarification issued by SEBI and Stock Exchanges allow modifications of client codes trades only to rectify a genuine error in entry of client code at the time of placing/modifying the related order.

"**Dealer**" for the purpose of this documents refers to any Trader(s) (LGT Capital employees and/or its Authorized Person) 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.

DESIGNATED 'ERROR ACCOUNT'

LGT Capital will register the error account with both the Exchanges under the UCC framework in order to accommodate client code modification to the LGT Capital Error Account. LGT Capital will also ensure the creation of a designated Error Account, named and styled as required by the Exchanges, as per the circular issued by the Exchanges periodic.

Any error trade recorded in any client account shall be transferred to the designated error account. Such an error in trade shall be modified to the error account within same trading day preferably. In the event that the error position cannot be transferred to the error account within the same trading day due to time constraints or any other issue, the same should shall be notified internally to the compliance head and move to the error account in the next trading day.

No fresh position trades shall be initiated through the Error account. The Error account shall be exclusively utilized for the purpose of transferring and squaring off error trades, and it shall not be used for the creation of any new positions.

MODIFICATION TO ERROR CLIENT CODE CATEGORY AND LIQUIDATION OF TRADES TRANSFERRED TO ERROR ACCOUNT

As per Exchange circular, shifting of any trade (institutional or non-institutional) to the error account of LGT Capital shall not be treated as a modification of client code provided the positions arising out of trades in the error account are subsequently liquidated/closed out in the market and not shifted to some other client code.

LGT Capital will be provided with a timeline of 2 working days (excluding the day of trade) to square off/liquidate their trades flowing into the error account. The Head of Dealing has to ensure that all the trades/open positions are liquidated or squared off within the prescribed time limit, in order to avoid the penalty levied by the Stock Exchanges. In case of liquidity issue, the same shall be reported to Compliance Officer of LGT Capital on priority (before the start of second day for squaring of the trades/open positions held in error account). The Compliance Officer should approach the Designated Exchange on the same working day along with evidence of no sufficient liquidity available on the Exchange. All square off/liquidation must be done at the earliest.

LGT Capital is required to implement internal controls to minimize the instance of modifications into the Error account to avoid disciplinary action proceedings from the Exchange. Training programs/ modules will be created to appraise Dealers about misuse of client code modification and also to train them so that errors are reduced while inputting of orders.

Modification between client codes of two entities which are of the institutional category will be allowed only if the modification of both client codes is from different schemes / sub-accounts of / managed by the same Institution. For FPIs, the group will be considered as uploaded by LGT Capital.

With respect to trades settled through DVP mechanism, for institution trades, LGT Capital would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism.

REASONS FOR CLIENT CODE MODIFICATION AND ERROR TRADES

LGT Capital is required to provide the reasons for client code modification and error trades.

The facility of providing the reasons based on objective criteria has been provided in the ENIT and BEFS portal at:

The reason for modification is mapped as follows:

Reason Code	Description
0	Modified to Error
1	Error due to communication or Punching / Typing Error such that the original client's 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-account

For the purposes of this Policy, the following types of trades shall be classified as errors and may be modified or corrected:

1) **Error Due to Communication or Typing Issues:**
   Errors arising from communication and/or typing mistakes such that the original client's code/name and the modified client code/name are similar to one another.

2) **Punching or Typing Errors by Dealers:**
   Errors due to genuine mistakes or incorrect entries by a dealer during the order entry process.

3) **Excess Execution:**
   Execution of a trade that exceeds the quantity ordered by the Client.

4) **Short or Under-Execution:**
   Execution of a trade that is less than the minimum or the required quantity as specified by the Client.

5) **Sale of a Security Instead of a Purchase:**
   When a security is sold when it should have been purchased.

6) **Purchase of a Security Instead of a Sale:**
   When a security is purchased when it should have been sold.

7) **Purchase of Incorrect Security:**
   Purchase of a security that was not intended by the Client or the order placed.

8) **Sale of an Incorrect Security:**
   Sale of a security that was not intended by the Client or the order placed.

9) **Purchase or Sale of a Security Under Any Restricted List:**
   Execution of a trade involving a security that is on any restricted list.

10) **Erroneous Client Order:**
    Errors caused by the Client placing an incorrect order, including but not limited to errors in value, volume, or other parameters.

11) **System Issues:**
    Errors due to system-related issues resulting in incorrect execution of trades.

12) **Wrong Exchange Used:**
    When a trade is executed on an incorrect exchange.

13) Other Reasons:

And due to any other reasons.

These are the known error scenarios under which executed positions may be transferred to the Error Account. It is understood that such errors may result in either a profit or loss to the LGT Capital. These positions will be handled in accordance with the established Error Account procedures as outlined in this Policy.

PROCEDURE OF THE WAIVER OF PENALTY:

For Client Code modification cases where a penalty is levied by the exchange and the same qualifies for a waiver, an application for the waiver shall be prepared by Operations and submitted to the exchange post review by the Compliance department. The request for waiver of penalty along with reasons and relevant supporting documents should be submitted to the Exchange within a period of 3 calendar months from the date of levy of penalty failing which request for waiver shall not be accepted. The following will be classified as genuine errors for the purpose of client code modification:

APPROVALS

All employees are required to escalate errors (or possible errors) to their supervisor. Errors must be promptly investigated, resolved, and reported/documented.

The Compliance Team of LGT Capital shall from time to time review frequent client code modifications.

The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange and this policy.

Error of any kind shall be informed immediately to the Senior Management by Head of Dealing Segment, and risk management team jointly. All trade modification shall be done by the explicit approval of the Business Head/Risk Head/ COO of the LGT Capital as per Matrix specified below. On being approved the same shall be intimated to Operations, Back office and Compliance Team.

The Operational/Approval Matrix is mentioned as below:

Error Trades must be approved as follows:

Value of error (amount in Rs.)	Required approval
Up to 1 Lacs	Business head
Between 1 lac to 10 lacs	Risk Head
Above 10 lacs	COO

The Compliance Team would review such error trades in case of high frequency observed in client code transfer.

The Risk management team/Compliance Team would also review the repercussion of these errors and take necessary actions to reduce the severity of the exchange actions.

- ▪ The Risk Management Team would also require maintaining separate MIS for all client code modification done and review / monitor the same periodically as they deem fit to curb the occurrence of such mistakes.

Record Maintenance and Management Reporting:

- A separate register is to be maintained by the company for the above purpose where full details will be recorded.
- Penalties imposed by Exchanges for client code modifications should be reviewed regularly and circulated to the management for awareness and necessary action.

REVIEW

The policy will be reviewed and updated as required to incorporate any changes introduced by regulatory authorities. Additionally, it will undergo periodic reviews to ensure its continued relevance, effectiveness, and alignment with current regulatory requirements and industry standards.