

ERROR ACCOUNT POLICY

1. Objective

The objective of this Policy is to establish a framework for identification, transfer, monitoring, liquidation and reporting of erroneous trades routed to the designated Error Account in compliance with MCX and SEBI requirements.

This Policy aims to:

- Ensure proper handling of genuine trading errors.
 - Prevent misuse of Client Code Modification facilities.
 - Maintain transparency and auditability.
 - Minimize operational and regulatory risks.
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2. Regulatory Framework

This Policy is framed in accordance with applicable MCX Circulars relating to Client Code Modification and Error Accounts, including requirements that:

- Members maintain a designated Error Account with client code "ERROR".
 - Trades shifted to Error Account must be liquidated in the market and not transferred to any other client code.
 - Members maintain a documented Error Policy approved by management.
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3. Policy Approval

This Policy shall be:

- Approved by the Board of Directors, Managing Director, CEO, Designated Director, or Management Committee of the Member.
 - Reviewed annually or whenever there is a regulatory change.
 - Communicated to dealers, authorized persons, branch personnel, risk management, compliance, and operations teams.
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4. Maintenance of Error Account

The Member shall maintain one designated Error Account with the Exchange.

Requirements

- Client Code shall be uploaded as "**ERROR**".
- The Error Account shall be registered in the UCC database of MCX.

- The Client Name shall be the Trading Member's name exactly as appearing in PAN records.
 - Only genuine error trades shall be transferred to this account.
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5. Criteria for Classification of Trades to Error Account

Only genuine errors may be transferred to the Error Account.

5.1 Dealer Errors

- Incorrect client code punching.
- Buy entered instead of sell.
- Sell entered instead of buy.
- Incorrect quantity entry.
- Incorrect order price.
- Wrong contract selection.

5.2 Communication Errors

- Miscommunication between dealer and client.
- Order execution in an unintended client code due to communication lapses.

5.3 Operational Errors

- Allocation error.
- Trade capture error.
- Client mapping error.

5.4 System Errors

- Trading terminal malfunction.
- OMS/RMS interface error.
- Connectivity-related order routing error.

5.5 Genuine Client Code Errors

We recognizes genuine client code modification errors where original and modified client codes/names are substantially similar and arise from punching or typing mistakes.

5.6 Trades Not Eligible for Error Account

The following shall not be treated as error trades:

- Market losses.
- Proprietary positions.
- Deliberate speculative trades.
- Trades shifted to avoid losses.

- Position management adjustments.
 - Trades intended for another client after market movement.
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6. Procedure for Transfer to Error Account

Step 1 – Identification

The dealer, operations, compliance, or risk team identifies the error.

Step 2 – Error Reporting

An Error Trade Form shall be prepared containing:

- Date and time of trade.
- Trade number.
- Original client code.
- Commodity and contract.
- Quantity and price.
- Nature of error.
- Supporting evidence.

Step 3 – Verification

Compliance/Operations shall verify:

- Genuineness of error.
- Supporting documents.
- Exchange guidelines applicability.

Step 4 – Approval

Approval shall be obtained from:

- Compliance Officer, or
- Operations Head, or
- Designated Authorized Official.

Step 5 – Transfer

The trade shall be transferred to the designated ERROR Account through the permitted client code modification process.

7. Procedure to Liquidate Trades Transferred to Error Account

7.1 Mandatory Liquidation

All positions transferred to Error Account shall be liquidated from the Error Account itself.

Under no circumstances shall trades be shifted from Error Account to another client code.

7.2 Timeframe

Liquidation shall be carried out at the earliest available opportunity after transfer to Error Account.

7.3 Fresh Trading Prohibited

No fresh trading shall be undertaken in the Error Account.

Only square-off transactions required for liquidation are permitted. MCX imposes penalties where fresh trades are executed in the Error Account.

7.4 Exceptional Cases

Where immediate liquidation is not possible due to:

- Illiquid contracts,
- Market restrictions,
- Exchange-imposed limitations,

the reasons shall be documented and approved by the Compliance Officer.

7.5 Profit/Loss Treatment

Any profit or loss arising from liquidation shall be accounted for in accordance with regulatory requirements and internal accounting policies.

8. Monitoring and Controls

The Member shall implement controls to ensure:

- No misuse of Error Account.
- No repetitive client code modifications.
- No fresh positions initiated in Error Account.
- Timely liquidation of transferred trades.
- Proper authorization and documentation.

Compliance and Risk Management teams shall independently monitor Error Account activity.

9. Periodic Review of Trades Flowing to Error Account

MCX requires periodic review of trades flowing to Error Accounts.

Review Frequency

Review Type	Frequency
Operations Review	Daily
Compliance Review	Monthly
Senior Management Review	Quarterly

Review Parameters

- Number of trades transferred.
- Value of trades transferred.
- Dealer-wise analysis.
- Reasons for transfer.
- Time taken for liquidation.
- Repetitive errors.

Management Reporting

Quarterly reports shall be submitted to Management covering:

- Error Account utilization.
- Root cause analysis.
- Regulatory observations.
- Corrective actions implemented.

10. Record Maintenance

The following records shall be maintained:

- Error Trade Register.
- Error Trade Forms.
- Supporting evidence.
- Approval records.
- Client code modification logs.
- Liquidation records.
- Compliance review reports.
- Management review reports.

Records shall be preserved for a minimum period prescribed under MCX, SEBI and applicable statutory requirements.
