

**CODE OF CONDUCT FOR
PROHIBITION
OF
INSIDER TRADING**

INTRODUCTION

Insider trading has been prohibited through legislation in most of the western countries for the last several years. In India there was no regulation-governing insider trading until 1992, when Securities and Exchange Board of India ("SEBI") framed the Insider Trading Regulations. These Regulations have been amended with effective from 20th February, 2002 and are modified from time to time. These regulations are now called the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as 'the Regulations') in terms of which a Stock Broker is required, inter alia, to frame a Code of Conduct for Prevention of Insider Trading by Employees of a Stock Broker, including its Directors.

In line with the said Regulations, the following Code of Conduct (hereinafter referred to as "the Code") has been adopted by JKB Financial Services Ltd (hereinafter referred to as "JKBFSL"), Member of the National Stock Exchange of India Limited & Bombay Stock Exchange.

APPLICABILITY

These guidelines are applicable for all the persons dealing in securities through/for us. These guidelines will be applicable from the date company starts broking activities.

DEFINITION OF TERMS

- a). "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- b). "body corporate" means a body corporate as defined in section 2 of the companies Act, 1956 (1 of 1956);
- c). "connected person" means any person who:
 - (i). is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a company, or is deemed to be a director of that company by virtue of sub-clause(10) of section 307 of that Act; or
 - (ii). occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company [whether temporary or permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.
[Explanation: — For the purpose of clause (c), the words "connected person" shall mean any person who is a connected person six months prior to an act of insider trading;]
- d). "dealing in securities" means an act of subscribing, buying, selling or agreeing to subscribe, buy, sell or deal in any securities by any person either as principal or agent;
- e). "insider" means any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information;
- f). "Officer of a company" means any Director, Secretary, or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act including an auditor of the Company.

- g). "person is deemed to be a connected person", if such person-
- i. is a company under the same management or group, or any subsidiary company thereof within the meaning of subsection (1B) of section 370, or sub-section (11) of section 372, of the Companies Act, 1956 (1 of 1956), or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), as the case may be;
 - ii. is an intermediary as specified in section 12 of the Act, Investment company, trustee Company, Asset management Company or an employee or director thereof or an official of a stock exchange or of clearing house or Corporation.
 - iii. is a merchant banker, share transfer agent, registrar of an issue, debenture trustee, broker, portfolio manager, Investment Advisor, sub-broker, Investment Company or an employee thereof, or, is a member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who has a fiduciary relationship with the company;
 - iv. is a Member of the Board of Directors, or an employee, of a public financial institution as defined in section 4A of the Companies Act, 1956;
 - v. is an official or an employee of Self-regulatory Organisation recognized or authorized by the Board of a regulatory body;
 - vi. is a relative of any of the aforementioned persons; or
 - vii. is a banker of the company
 - viii. relatives of the connected person; or
 - ix. is a concern, firm, trust, Hindu undivided family, company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10 per cent of the holding or interest;]
- h). "price sensitive information" means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.
- Explanation: — The following shall be deemed to be price sensitive information :—
- (i) periodical financial results of the company;
 - (ii) intended declaration of dividends (both interim and final);
 - (iii) issue of securities or buy-back of securities;
 - (iv) any major expansion plans or execution of new projects;
 - (v) amalgamation, mergers or takeovers;
 - (vi) disposal of the whole or substantial part of the undertaking; and
 - (vii) significant changes in policies, plans or operations of the company;
- i). "relative" means a person, as defined in section 6 of the Companies Act, 1956 (1 of 1956);
- j). "stock exchange" means a stock exchange which is recognized by the Central Government or Securities & Exchange Board of India under section 4 of Securities Contracts (Regulation) Act, 1956 (42 of 1956);

k). “unpublished” means information which is not published by the company or its agents and is not specific in nature.

Explanation:— Speculative reports in print or electronic media shall not be considered as published information.

COMPLIANCE OFFICER, PRE-CLEARANCE, REPORTING PROCEDURE

JKBFSL has appointed its Company Secretary as Compliance Officer who reports to the Managing Director.

Compliance Officer shall be responsible for setting forth policies and procedures and monitoring adherence to the rules for the preservation of “Price Sensitive Information”, pre-clearing of all designated employees and their dependents trades (directly or through respective department heads as decided by the Company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the partners/proprietors.

The Compliance Officer shall also assist all the employees/directors in addressing any clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Company’s code of conduct.

The Compliance Officer shall maintain a record of the designated employees and any changes made in the list of designated employees.

PREVENTION OF “PRICE SENSITIVE INFORMATION”

Employees / Directors shall maintain the Confidentiality of all Price Sensitive Information & must not pass such Information directly or indirectly by way of making a Recommendation for the Purchase or Sale of Securities

Price Sensitive Information is to be handled on a "Need to Know" basis, i.e. Price Sensitive Information should be disclosed only to those within the Company, who need the Information to discharge their Duty and whose Possession of such Information will not give rise to a Conflict of Interest or Appearance of misuse of the information.

All Files of JKBFSL, containing Confidential Information shall be kept Secure & all computer files must have Adequate Security of Login and Password, etc

CHINESE WALL

To prevent the misuse of confidential information the Company shall adopt a “Chinese Wall” policy which separates those areas of the Company which routinely have access to confidential information, considered “inside areas” from those areas which deal with sale/marketing/investment advise or other departments providing support services, considered “public areas”.

The employees in the inside area shall not communicate any Price Sensitive Information to any one in public area.

The employees in inside area may be physically segregated from employees in public area.

Demarcation of the various departments as inside area may be implemented by the Company.

In exceptional circumstances employees from the public areas may be brought “over the wall” and given confidential information on the basis of “need to know” criteria, under intimation to the compliance officer.

PREVENTION OF MISUSE OF PRICE SENSITIVE INFORMATION

Employees/directors shall not use Price Sensitive Information to buy or sell securities of any sort, whether for their own account, their relative’s account, Company’s account or a client’s account. The following trading restrictions shall apply for trading in securities.

PRE-CLEARANCE OF TRADES

All directors/officers/designated employees of the Company who intend to deal in the securities of the client company (above a minimum threshold limit to be determined by the Company) shall pre-clear the transactions as per the pre-dealing procedure as described hereunder.

An application may be made in such form as the Company may specify in this regard, to the Compliance Officer indicating the name and estimated number of securities that the designated employees/director intends to deal in, the details as to the depository with which he has a security account the details as to the securities in such depository mode and such other details as may be required by any rule made by the Company in this behalf.

An undertaking shall be executed in favour of the Company by such designated employee /directors incorporating, *inter alia*, the following clauses, as may be applicable:

- (i). That the designated employee/director does not have any access or has not received any “Price Sensitive Information” up to the time of signing the undertaking.
- (ii). That in case the designated employee/director/partner has access to or receives “Price Sensitive Information” after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.
- (iii). That he/she has not contravened the code of conduct for prevention of insider trading as specified by the Company from time to time.
- (iv). That he/she has made a full and true disclosure in the matter.

RESTRICTED/GREY LIST

In order to monitor Chinese wall procedures and trading in client securities based on inside information, the Company shall restrict trading in certain securities and designate such list as restricted/grey list.

Security of a listed company shall be put on the restricted/grey list if the Company is handling any assignment and is privy to Price Sensitive Information.

Any security which is being purchased or sold or is being considered for purchase or sale by the Company on behalf of its clients/schemes of mutual funds, etc. shall be put on the restricted/grey list.

As the restricted list itself is highly confidential information it shall not be communicated directly, or indirectly to anyone outside the Company. The Restricted List shall be maintained by Compliance Officer.

When any securities are on the Restricted List, trading in these securities by designated employees/directors may be blocked or may be disallowed at the time of pre-clearance.

OTHER RESTRICTIONS

All directors/designated employees shall execute their order within one week after the approval of pre-clearance is given. If the order is not executed within one week after approval is given the employee/director must pre clear the transaction again.

All directors/officers/designated employees shall hold their investments for a minimum period of 30 days in order to be considered as being held for investment purposes.

The holding period shall also apply to purchases in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.

In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the Compliance Officer after recording in writing his/her reasons in this regard.

Analysts, if any, employed with the Company while preparing research reports of a client company(s) shall disclose their shareholdings/interest in such company(s) to the Compliance Officer.

Analysts who prepare research report of a listed company shall not trade in securities of that company for thirty days from preparation of such report.

REPORTING REQUIREMENTS FOR TRANSACTIONS IN SECURITIES

All directors/designated employees of the Company shall be required to forward following details of their securities transactions including the statement of dependent family members (as defined by the Company) to the Compliance Officer:—

- (a). all holdings in securities by directors/officers/designated employees at the time of joining the Company;

- (b). periodic statement of any transactions in securities (the periodicity of reporting may be defined by the Company). The Company may also be free to decide whether reporting is required for trades where pre-clearance is also required;
- (c). annual statement of all holdings in securities.

The Compliance Officer shall maintain records of all the declarations given by the directors/designated employees in the appropriate form for a minimum period of three years.

The Compliance Officer shall place before the Managing Director of the Company, on a monthly basis all the details of the dealing in the securities by designated employees/directors of the Company and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

PENALTY FOR CONTRAVENTION OF CODE OF CONDUCT

Any employee /director who trades in securities or communicates any information or counsels any person trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the Company.

Employees /directors of the Company who violate the code of conduct may also be subject to disciplinary action by the company, which may include wage freeze, suspension, etc.

The action by the Company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

INFORMATION TO SEBI IN CASE OF VIOLATION OF SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS

In case of any violation observed by Company / its Compliance Officer that there has been a violation of these Regulations, Company / its Compliance Officer will inform SEBI.