

Policy on Conflict of Interest

**CGS-CIMB Securities (India) Private
Limited**

1. Definitions

- a) Act" means the Securities and Exchange Board of India Act, 1992
- b) associated person" means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business who :
- i) deals or interacts with the investors, issuers or clients of intermediaries;
 - ii) deals with assets or funds of investor or clients;
 - iii) handles redressal of investor grievances;
 - iv) responsible for internal control or risk management;
 - v) responsible for compliance of any rules or regulations;
 - vi) engaged in activities that have a bearing on operational risk of the intermediary
- c) intermediary" means an entity registered under sections 11 or 12 of the Act and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization;
- d) principal" means persons who are actively engaged in the management of the intermediary's securities business including supervision, solicitation, conduct of business, and includes:
- (1) Managing Director and
 - (2) Designated Director

2. Introduction :

A conflict of interest arises when a Member of the Board, Staff or Associated person has a personal interest that conflicts with the interests of the Company or arise in situations where a Board/Staff/Associated person has divided loyalties. It can result in situations that result in inappropriate financial gain to persons in authority which can lead to financial penalties and violations of the regulations. Similarly, situations or transactions arising out of a conflict of interest can result in either inappropriate financial gain or the appearance of a lack of integrity in the decision-making process. Both results are damaging to the Company and are to be avoided. Senior management is responsible for ensuring that the Company's systems, controls and procedures are adequate to identify and manage Conflicts of Interest.

3. Purpose :

The purpose of this policy is to provide guidance to relevant individuals on handling possible conflicts of interest that may arise in performing the duty. This policy applies to all staff, associated persons and other individuals whenever they interact or potentially interact with any of employees of the organisation.

4. Objective :

The Company's policy is to manage all conflicts of interest that involve the Company in a consistent manner and to have in place an effective organisational and administrative framework for dealing with conflicts of interest of the client. Addressing such conflicts promotes client interest and supports market integrity. This policy provides for conflicts of interest that may arise within the Company and specifies minimum standards for actions to be taken into consideration to manage such conflicts.

5. Scope :

The policy covers the entire Organisation, Individuals & Associated person including Board of Directors, Employees and Vendors. This policy particularly applies to all staff and other individuals who interact or potentially interact with the work of the organisation. The policy applies to those Conflicts of Interest that may give rise to a material risk of damage to the interests of a Client. Conflicts of Interest may arise between:

- ✓ the Company and a Client;
- ✓ a Relevant Person and a Client;
- ✓ two or more Clients of the Company in the context of the provision of services by the Company to those Clients;
- ✓ Vendor and a Client.

For the purposes of this policy, Clients include:

- existing Clients of the Company;
- potential Clients and
- past Clients where fiduciary or other duties remain in place

Relevant Person: For the purposes of this policy, "Relevant Person" means any of the following: (a) a Director or appointed representative of the Company; (b) a Director or equivalent, or manager of any appointed representative; (c) an employee as well as any other natural person whose services are placed at the disposal and under the control of the Company; (d) a natural person who is involved in the provision of

services to the Company under an outsourcing arrangement for the purpose of the provision by the Company.

6. Responsibility :

All relevant staff and other individuals have a responsibility to be aware of the potential for a conflict of interest. It is likely that individuals working closely with the Company will encounter potential conflicts of interest from time to time.

7. Policy & Procedure :

Identification of conflicts of interests

In order to identify conflicts of interest, the Company shall take into account the services provided by it. In identifying conflicts of interest, the Company shall consider all factual circumstances. To identify conflicts, the company will always consider, as a minimum, whether it:

- ✓ is likely to make a financial gain or avoid a financial loss at the expense of the customer.
- ✓ has an interest in the result of a service provided to the customer or of a transaction carried out on behalf of a customer that is different from the customer's interest.
- ✓ has a financial or another incentive to favour the interest of another customer or group of customers over the interests of the customer.
- ✓ carries out the same type of business as the customer.
- ✓ receives or will receive from a person other than the customer an inducement in relation to a service provided to the customer in any form of money.

Examples of Potential Conflicts of Interest

Within a Company, conflicts of interest may arise in a variety of situations. Areas of concern include:

- the provision of investment research
- personal account dealing
- Providing research recommendations & advise
- Other Areas

8. Identifying and Managing Conflicts of Interest

In case of conflict of Interest, it must be managed promptly and fairly. As a minimum standard the Company has in place arrangements designed to ensure that:

- ✓ divisions and legal entities operate with appropriate independence from one another;
- ✓ there are effective procedures in place to control the flow of information where, otherwise, the risk of a Conflict of Interest may harm the interests of a Client;
- ✓ Supervisory arrangements provide for separate supervision of staff where necessary for the fair management of Conflicts of Interest;
- ✓ relevant information is recorded promptly in a secure environment to enable identification and management of Conflicts of Interest;
- ✓ appropriate escalation processes are in place and complied with where a Conflict of Interest has been identified or may be identified;
- ✓ adequate records are maintained of the services and activities of the Company where a Conflict of Interest has been identified;
- ✓ where necessary, Relevant Persons may be asked to step aside from working on a specific transaction or participating in the management of a potential Conflict of Interest;
- ✓ there is a periodic review of the adequacy of the Company's systems and controls.

9. Measures of Control for Identification and Management of Conflicts of Interests

In managing a Conflict of Interest it may be appropriate to use additional measures in the event that existing ongoing conflicts management measures are not sufficient to adequately manage the potential conflict, such as the following:

- ✓ implementation of adhoc transaction specific Chinese Walls or other additional information segregation methods following consideration of all of the facts available to relevant management;
- ✓ escalation to senior management who have responsibility for the strategy of the Company and an appreciation of the relationship and reputation risks that may arise;
- ✓ declining to act.

10. Dealing with conflicts of interest:

The Company has drawn up an appropriate conflicts policy for the nature, extent and complexity of the Company's activities, which contains details of the measures taken for dealing with conflicts of interest. In particular, the Company has provided for the following measures:

- ✓ at all times shall maintain high standards of integrity in the conduct of the business;

- ✓ fair treatment to the clients and not to discriminate amongst them;
- ✓ to ensure that the personal interest does not, at any time conflict with the duty towards the clients and client's interest is always taken in primacy in the advice, investment decisions and transactions;
- ✓ to make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
- ✓ to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
- ✓ not to deal in securities while in possession of material non published information;
- ✓ not to communicate the material non published information while dealing in securities on behalf of others;
- ✓ not to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- ✓ not to have an incentive structure that encourages sale of products which does not suit the risk profile of the clients;
- ✓ not to share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

11. **Disclosure of Conflicts of Interest and Client Consent**

In certain circumstances, if some Conflict of Interest remains and, where permissible by local regulations, disclosure to an affected Client may be made in order to seek Client consent to act. Disclosure will be made of the general nature and / or sources of conflict to enable the Client to make an informed decision. Similar disclosures are required for research reports and public appearances.

12. **Information Barriers :**

The Company respects the confidentiality of information it receives about its clients and operates a "need to know" approach and complies with all applicable laws with respect to the handling of that information. Access to confidential information is restricted to those who have a proper requirement for the information consistent with the legitimate interest of a Client or the Company. The principal way in which the Company structures its business to manage Conflicts of Interest is through the maintenance of information barriers ("Chinese Walls") in accordance with the Company's Chinese Wall policies which are designed to restrict information flows between different areas of the Company. Chinese Walls and other measures shall be put in place to enable the Company to carry out business on behalf of Clients without being influenced by other information held within the Company that may give rise to a potential Conflict of Interest.

13. **Monitoring and supervision of the management of conflicts of interest**

The Company is responsible for permanently checking and assessing the suitability and efficacy of the organizational procedures and the measures adopted for the correct management of conflicts of interest.

14. **Review**

The policy will be reviewed for its effectiveness on an ongoing basis and make amendments as required in case of change in regulatory requirements.