

## Conflict of Interest Policy

*[Developed based upon SEBI Circular no. CIR/MIRSD/5/2013 dated August 27, 2013:]*

### **Purpose :**

The purpose of the conflict of interest policy is to protect **KIFS TRADE CAPITAL PVT. LTD.** (KIFS / Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director or the Organization or might result in a possible excess benefit transaction and thereby adhere to SEBI's guidelines for avoiding or dealing with or managing conflict or interest. This policy is intended to supplement but not replace the internal code of conduct of organization already in operations.

### **Applicability :**

The policy shall equally apply to all employees, sub-brokers, authorized persons, associated persons, agents etc. who are associated with the KIFS (Organization) as such and accordingly deal with the client or directly / indirectly linked to them.

### **Definitions :**

1. **“Intermediary”** means an entity registered under section 11 or 12 of the SEBI Act and include any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization;
2. **“Agent”** means any person who is engaged in the activity of sale or distribution of securities on behalf of an issuer or a distributor for a commission or nay other consideration;
3. **“Associated Person”** means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India;
4. **“Conflict”** : in identifying conflicts that may arise and whose existence may entail a material risk of damage or the interest of a client. KIFS must take into account whether it or a relevant person :
  - (a) Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
  - (b) Has an interest in the outcome of the service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
  - (c) Has a financial or other incentive to favour the interest of another client or group of clients over the interest of the client;
  - (d) Carries on the same business as the client; or
  - (e) Receives or will receive from a person other than the client an inducement in relation to the service provided to the client other than the standard commission or fee for that service.
5. **Financial Interest** : A person has a financial interest if the person has directly or indirectly through business, investment or family :

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Thus, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

**Identification of Conflict of Interest – Actual or Potential :**

There are a number of situations where conflict of interest are likely to arise. However, being too specific risks restricting the application of this Policy to the examples specifically mentioned hereunder. Please note that this list of potential conflict of interest is not exhaustive. Even if a particular situation is not expressly mentioned in the policy, Associates are advised to disclose all particular situations which may result in interest and where appropriate, seek approval.

All employees are required to identify any potential conflict of interest and report it to their manager and to Compliance Department.

The following is a non-exhaustive list of typical examples of situations where conflict may arise :

**(a) KIFS v/s. Client Conflicts (i.e. Proprietary vs. client conflicts)**

- Where KIFS places orders with itself or affiliated broker / companies;
- Where KIFS allocates the cost of errors to clients' funds / funds' accounts instead of its own.
- Where KIFS recommends an investment product to a client which may not be the most suitable solution for the client
- Where KIFS undertakes proprietary trades based on the knowledge of pending orders from its clients
- Where KIFS or its group / associate or subsidiary company(ies) has extended finance facility (loans / credit) to any of its clients, it will tend to invest the client's fund in a manner that facilitates the expeditious recovery of the loan / credit, regardless of the investment objectives of the client.
- Where KIFS endeavor into churning for the sole purpose of generating commissions and maximizing its income, is involved in excessive trading on a client's account, even when such trading involves unprofitable investments or unnecessary transaction costs for the client.
- Where KIFS uses clients' funds for proprietary trades

**(b) KIFS employee vs. client conflicts**

- Where gifts and entertainment (including non-monetary gifts) are received that may influence behavior in a way that conflicts with the interest of KIFS's Clients;
- Where KIFS employee engages in personal account dealing in respect of securities and KIFS has a client with an interest that potentially conflicts with such dealing;
- Where KIFS employee has outside business interest or interest of particular client that conflict with the interest of KIFS's other clients.



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**(c) Client vs. client conflicts**

- Where KIFS allocates executed orders, carried out on behalf of more than one client, in such a way that may result in a disadvantage to one or more clients;
- Where KIFS may show preference to its bigger institutional clients who regularly undertake large trade and generate more revenue / commission for it over smaller or individual investors
- Where KIFS enter into any Front-running and thereby benefits a favoured client based on the orders placed by another not-so-favoured client.

**Elimination or Management of Conflict of Interest Situations :** KIFS shall endeavor to control conflict of interest through a range of administrative and organizational process to maintain logical & physical segregation by business area, preserve the highest level of confidentiality, restrict information flows and ensure independence in our activities which are designed to safeguard the interest of our clients.

**Such measures and procedures to manage possible conflict of interest include :**

- ✓ In the circumstances where KIFS execute client orders with KIFS as principal, we will ensure that client received the best possible result.
- ✓ The restriction of the flow of information (Chinese Walls) solely to employees requiring access to that information management to ensure no information is handled inappropriately.
- ✓ Aggregation and allocation of orders is undertaken to ensure that no client is unfairly disadvantaged.
- ✓ We have adequate procedures around staff involved in the production and distribution of research. Where KIFS undertakes research all endeavor are made to disseminate the research to all interested clients at the same time. Where KIFS has a material interest the same shall be properly disclosed.
- ✓ All staff are required to act independently in the best of interest of clients.
- ✓ KIFS undertakes ongoing training
- ✓ Reporting lines and remuneration of staff with ostensible conflicts of interest (for example research and finance or RMS) are separate and distinct.
- ✓ KIFS has implemented an organizational structure and an internal code of conduct and other procedures so as to ensure that conflict of interest are prevented from giving rise to a material risk of damage to the interest of its clients.

**Primacy of Clients' Interest :** All employees are bound by this Code of Conduct of KIFS Group, which imposes obligations to work in clients' best interest by :

- Providing clients with the most suitable products and services, with regard to their aims, resources, knowledge and experience
- Giving clients clear, honest and non-misleading information and, if so requested, an opinion, in particular relating to expected performance, associated risks and pricing
- Provide quality service that preserves the client's best interest
- Treating clients fairly, without giving any client (or other counterparty) unduly preferential treatment
- Behave transparently, notably by making available at the client's request, any information relating to the executing of his/her/its transactions.

**Thus in order to eliminate or manage such situations, all such persons associated with the organization shall:**

- (a) At all times maintain high standards of integrity in the conduct of organization business;
- (b) Ensure fair treatment to all the clients and not discriminate amongst them;



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- (c) Ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
- (d) 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;
- (e) Endeavour 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;
- (f) Place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- (g) Not deal in securities while in possession of material non published information;
- (h) Not communicate the material non published information while dealing in securities on behalf of others;
- (i) Not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- (j) Not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
- (k) Not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

**Duty to Disclose :** In connection with any actual or possible conflict or interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement. The Board or Committee thereby proceed further in determining Whether a Conflict of Interest exists or not. If the governing board or committee has reasonable cause to believe that associated person has failed to disclose actual or possible conflict of interest, it shall inform him of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose. If, after hearing the member's response and after making further investigation as warranted by circumstances, the governing board or committee shall take appropriate disciplinary and corrective action.

**Records of Proceedings :** The minutes of the governing board and all committees with board delegated powers shall contain :

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.
- c. Action taken on such situations.

**Employee Awareness :**

Employees are reminded of applicable policies and procedures during training sessions and by the frequent distribution of relevant regulatory actions. In addition there is a requirement to review / update the procedures in place (including those relating to conflicts management) as the need occurs and as a matter of policy.



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**Periodic Reviews :**

The Board of Directors or Managing Committee of Board of Directors of KIFS shall review this policy at least annually and where appropriate, on ad hoc basis to ensure it adequately reflects the types of conflicts or potential conflicts that might arise.

**Conclusion :** Thus, a conflict of interest situation can generally be understood as a situation where the multifaceted interest of an individual are in inter se conflict. In the context of market intermediaries like KIFS, such conflicts are augmented by the vast and diversified client base, endless product innovations, undisclosed and complex market mechanics and simultaneous operations in multiple intermediary services. Though the efforts have been made to identify various situations involving conflict of interests, it is specifically clarified that the same are not exhaustive and can vary in different situations / cases.

Please also note that this policy / guidelines shall be in addition to the provisions, if any contained in respective regulations / circulars issued by SEBI from time to time regarding dealing with conflict of interest, in respect of such intermediaries. KIFS reserves its right to amend, alter, add, delete or modify in its absolute discretion.



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