

### **Internal Policy on Conflict of Interest**

BgSE Financials Limited (hereinafter "the Company") which is engaged in providing financial services in Indian Capital Markets to retail investors and high networth individuals. The Company is registered as a Stock Broker with the Bombay Stock Exchange Limited and the National Stock Exchange India Limited. The Company is also a SEBI registered Depository Participant of NSDL and RTA.

SEBI, vide its circular no. CIR/MIRSD/5/2013 dated August 27, 2013 has laid down the guidelines requiring registered intermediaries to establish and implement a conflicts of interest policy (hereinafter the "Policy").

To adhere to the above guidelines, the Company is required to take all reasonable steps to identify, eliminate or manage conflicts of interest. The Company is committed to acting honestly, fairly and professionally and in the best interests of its clients.

This Policy is not intended to, or does not create third party rights or duties nor does it form part of any contract between the Company and any client.

As the Company does not trade on its proprietary account presently and the employees are not permitted to trade and all the orders are passed to the market (no internal matching), chances of conflict of interest are minimized. Further, the Company is not having Sales/Marketing/Research wings/departments presently and hence chances of conflict of interest are minimized.

#### **Purpose**

The purpose of this Policy is to set out the Company's approach to identify and manage conflicts of interest, which may arise during the course of its business activities.

This Policy aims at:

- a. identifying circumstances which may give rise to conflicts of interest entailing a material risk of damage to clients' interests,
- b. establishing appropriate procedures and systems to manage those conflicts, and
- c. ensuring the maintenance of such procedures and systems in an effort to prevent actual damage to clients' interests through conflicts identified.

#### **Scope**

The Policy applies to the Board of Directors and Employees of the Company (collectively referred to as 'Stakeholders<sup>TM</sup>') and relevant sub brokers/authorized persons/associated

persons as defined in SEBI (Certification of associated persons in the securities market) Regulations, 2007 with respect to all interactions with the clients.

**Potential conflicts of interest areas**

1. The Company or employees or relevant associated person(s) is/ are likely to make a financial gain, or avoid a financial loss, at the expense of the client.
2. The Company or employees or relevant associated persons has/have an interest in the outcome of a 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 the outcome.
3. The Company or employees or relevant associated person(s) has/have a financial or other incentive to favor the interest of another client or group of clients over the interest of one client.
4. The Company or employees or relevant associated persons receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

**Procedures and controls to managing Conflicts of Interests**

The procedures and controls that the Company follows to manage the identified conflicts of interests include the following:

1. Effective procedures to prevent or control the exchange of information in the activities involving a risk of conflict of interest where the exchange of that information is likely to harm the interest of one or more clients;
2. Measures to prevent or limit any person from exercising inappropriate influence over the way in which capital market services are carried out;
3. Chinese walls restricting flow of confidential and price sensitive information within the Company, physical separation of departments and sharing of information only on a "Need to Know Basis". The same shall be governed by 'Prevention of Insider Trading Policy' applicable to the Company. The purpose is to set out the Company's approach to prevent the misuse of confidential information. In this regard, 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" during the course of its business activities. Even though the Company is not having any Sales/Marketing/ Investment Advise wings presently, this policy is formulated to take care of its future requirements, in case these wings/departments are created in future.

In order to achieve the above purpose, the Company shall ensure that:

- a) The employees in the inside area shall not communicate any Price Sensitive Information to anyone in public area.
- b) The employees in inside area may be physically segregated from employees in public area.

- c) Demarcation of the various departments as inside area shall be implemented by the Company as and when it is needed.
- d) 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.
- e) Employees shall maintain the confidentiality of all Price Sensitive Information. Employees shall not pass on such information directly or indirectly by way of making a recommendation for the purchase or sale of securities.
- f) Price Sensitive information shall be handled on a "need to know" basis, i.e. Price Sensitive Information shall 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.
- g) Files containing confidential information shall be kept secure.
- h) Computer files shall have adequate security of login and pass word, etc.

#### Procedures and controls to ensure compliance to the Policy

- a. The Company's Compliance team shall have oversight on the business to ensure that internal controls are appropriate in this regard.
  - b. Chinese walls restricting flow of confidential and price sensitive information within the Company, physical separation of departments and sharing of information only on a "Need to Know Basis" shall be ensured.
- 4. Measures to limit the conflicts of interests arising from the giving and receiving of inducement.
  - 5. Appointment of Independent Internal auditors to ensure that appropriate systems and controls are maintained and their effectiveness or otherwise is being reported to the Company's Board of Directors.
  - 6. Personal account dealing requirements applicable to employees in relation to their own investments needs an approval from the Compliance Team by submission of an Investment Request Form. The same shall be governed by 'Prevention of Insider Trading Policy' applicable to the Company.
  - 7. The employees are governed by measures laid down in the internal code of conduct and other policies, which include the following:
    - a. restrictions on dealing in securities while handling client's mandate or while in possession of material non published information, or communicating such information while dealing on client's behalf, manipulating demand or supply of securities or influencing their market price. The same shall be governed by 'Prevention of Insider Trading Policy' applicable to the Company.
    - b. Restrictions on an incentive structure that encourages sale of products not suiting the client's risk profile.
    - c. Restrictions on divulgence of client's confidentiality unless required by or under the law.
    - d. The sub brokers/authorized persons/associated persons shall at all times maintain high standards of integrity in the conduct of their business followed by compliance reporting to Board of Directors and the Senior Management.
    - e. Ensure fair treatment of their clients and not discriminate amongst them.
    - f. 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;

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- g. 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;
  - h. Endeavor 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.;
  - i. The Company shall 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;
  - j. Not to deal in securities while in possession of material non published information;
  - k. Not to communicate the material non published information while dealing in securities on behalf of others;
  - l. Not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
  - m. Not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;
8. The Company's Compliance team shall have oversight on the business to ensure that internal controls are appropriate.
9. The Board of Directors of the Company and the Compliance team share the responsibility for keeping the Policy in place. Any situation or transaction involving an actual or potential conflict of interest should promptly be reported to the Compliance team and obtain their determination as to whether a conflict exists.
10. Where a conflict arises and the Company is aware of it, it will disclose the conflict to the client prior to undertaking the business for that client or, if the Company does not believe that the disclosure is appropriate to manage the conflict, the Company may choose not to proceed with the transaction or matter giving rise to the conflict.

**Measures to avoid or to deal or manage actual or potential Conflict of Interests.**

Should a conflict of interest arise, it needs to be managed promptly and fairly. The Company puts in place following arrangements to ensure that:

- i. There is a clear distinction between the different departments' operations;
- ii. No single person will gather conflicting information, thus counterfeiting or hiding information from investors is minimized;
- iii. The Company's employees are prohibited from investing in a financial instrument for which they have access to non-public or confidential information;
- iv. Transactions by the Company's employees are neither performed nor executed by themselves.
- v. Employees sign a contract of employment including confidentiality clauses. No associated person may disclose inside information to others, except disclosures made in accordance with the Company's policies and procedures, to other Company personnel or persons outside the Company who have a valid business reason for receiving such information;
- vi. Each department will control the flow of information where, otherwise, the risk of

conflict of interest may harm the interest of a Client;

- vii. Relevant information is recorded promptly in a secure environment to enable identification and management of conflicts of interests;
- viii. Adequate records are maintained of the services and activities of the Company where a conflict of interest has been identified;
- ix. In certain jurisdictions appropriate disclosure may be made to the Client in a clear, fair and not misleading manner to enable the Client to make an informed decision;
- x. There is a periodic review of the adequacy of the Company's systems and controls.
- xi. Employees are required to avoid conflicts of interest with activities they undertake outside company.

### **Violation and Consequences**

Any non- adherence with the Policy will be subject to strict action. Disclosure

Periodic review of the Policy will be done at the Board Meeting of the Company. The same shall be on need basis. The Company reserves the right to make review and / or amend its Policy and whenever it deems appropriate.

In case you have any questions, please direct your query to our Compliance team **cs@bfsi.co.in**

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  - b. Restrictions on an incentive structure that encourages sale of products not suiting the client's risk profile.
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  - j. The sub brokers/authorized persons/associated persons shall at all times maintain high standards of integrity in the conduct of their business followed by compliance reporting to Board of Directors and the Senior Management.
  - k. Ensure fair treatment of their clients and not discriminate amongst them.
  - l. 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; 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;
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  - p. Not to communicate the material non published information while dealing in securities on behalf of others;
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