

CONFLICT OF INTEREST POLICY

MERCHANT BANKING



SUMEDHA
adding values to value

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PREAMBLE

The Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/MIRSD/5/2013 dated August 27, 2013 has prescribed the guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market. All intermediaries, recognised stock exchanges, recognised clearing corporations and depositories (hereinafter collectively referred to as "Entities") are presently governed by the provisions for avoidance of conflict of interest as mandated in the respective regulations read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover Entities and their associated persons, for elimination of their conflict of interest.

Sumedha Fiscal Services Limited (hereafter referred as 'SFSL' or 'the Company') is a SEBI Registered Merchant Banker and the said circular is applicable to the Company.

PURPOSE

The content and purpose of the policy is to adopt and ensure implementation of best industry practices on an appropriate level of knowledge and competence and abide by the provisions of the SEBI Act, including regulations made thereunder, circulars and guidelines, which may be applicable and relevant and issued on timely basis which will help to avoid or manage any conflict of interest which may arise during the course of our business, with an intention of offering seamless and quality service to the Clients. Further the contents of this policy 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 and already covered in the policies in force of SFSL.

APPLICABILITY

This policy shall apply to SFSL and all its employees in the Merchant Banking division

DEFINITIONS

- a) Associated person means a principal or employee or an agent or distributor of SFSL or other natural person engaged in SFSL;
- b) Client means any person / entity who signs the mandate with SFSL as a client for availing of any of the services offered by the Company.
- c) Employee mean person employed and is on the payroll at SFSL for the Merchant Banking division.

- d) Intermediary means an entity registered under Sections 11 or 12 of the Securities and Exchange Board of India Act, 1992 and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization;
- e) Securities means securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

CODE OF CONDUCT FOR AVOIDING CONFLICT OF INTEREST

The Company shall either avoid any conflict of interest arising or, where conflicts arise, shall ensure fair treatment to all its Clients by disclosure, internal rules of confidentiality, declining to act, or otherwise. The Company shall not unfairly place its interests above those of its Clients and where a properly informed Client would reasonably expect that the Company would place his interests above its own, the Company should live up to that expectation.

It is expected that the Employees shall:

- a) at all times maintain high standards of integrity in conducting business activities.
- b) ensure fair treatment of their Clients and no discrimination amongst them.
- c) ensure that personal interest does not at any time conflict with their duty to the Clients and Client's interest always takes primacy in the 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) 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.
- f) place appropriate restrictions on transactions in securities while handling a mandate of Client in respect of such security so as to avoid any conflict.
- g) not deal in securities pertaining to the Client while in possession of material unpublished information/ price sensitive information.
- h) not to communicate the material unpublished information/ price sensitive information ("price sensitive information") while dealing in securities pertaining to the Client.
- 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 to share information received from Clients or pertaining to them, obtained as a result of their dealings, for their personal interest.

SITUATIONS INVOLVING CONFLICT OF INTEREST

The term "conflict of interest" is widely used to identify situations where pecuniary or other competing interests prevent a party from acting in a certain manner, which would otherwise be legally or ethically appropriate; however, there is no universally accepted definition for the same. A conflict of interest situation can generally be understood as a situation where the multifaceted interests of an individual are in inter se conflict.

In the context of market intermediaries, 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. The various situations involving conflict of interest include:

A) ACCESS TO INFORMATION

An Employee of the SFSL may obtain financial and other “price sensitive” information about their Client(s) while handling the assignment for their Client(s). It is possible that the Employee may use or pass on or communicate such information which may be beneficial to the receiver of the information.

B) INTERNAL CONFLICT

This category involves intra-intermediary conflicts, such as, in the case of an intermediary having group operations or group company having common management but different activity. What is in the best interest of the other group company may not be in the best interest of SFSL or of its Client. In such a situation, decisions are usually taken considering the best interest of SFSL, not conflicting with the Client.

C) MULTIPLE SERVICES

This category includes the conflicts inherent in the practice of multiple intermediary services by the same intermediary (or intermediaries under common ownership/control). For instance, when two intermediaries are under the same management/ownership/control, with one providing analyst and investment advice services and the other providing merchant banking services the analyst’s report and investment advice is likely to be prejudiced and biased in favour of the underwritten issue.

Similarly, the common owner may use the insider information procured during the underwriting process by one of its concerns for subsequent trading in those shares, either on its own account or on behalf of Clients through another concern. Another example of this conflict category is where a merchant banker rolls out a public issue and recommends investor subscription to this issue in the capacity of an investment advisor, regardless of the actual health of the issue and without comprehensively mentioning the risk factors. The variety of services rendered by an intermediary or its group companies which is directly correlated with the situations involving conflicts of interest; i.e., with the increase in such services, the probability and likelihood of conflicts of interest also rise. Servicing of a Client may conflict the interest of another Client.

PROCESSES AND INTERNAL CONTROLS

To adequately manage conflicts of interest we must identify all relevant conflicts in a timely manner. In determining whether there is or may be a conflict of interest to which the policy applies, SFSL considers whether there is a material risk of damage to the Client, taking into account whether SFSL or its representative, associate or employee or any relative of employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- has 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 distinctly different from the Client's interest in that outcome;

- has a financial or other incentive to favour the interest of another Client, group of Clients or any other third party over the interest of the Client;
- 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 legislated commission or reasonable fee for that service.

Our policy defines possible conflicts of interest as, inter alia:

- Conflicts of interest between SFSL and the Client;
- Conflicts of interest between our Clients if we are acting for different Clients having different interest, conflict materially;
- Conflicts of interest where associates, distribution channels or any other third party is involved in the rendering of a financial service to SFSL's Client;
- Holding confidential information of Clients which, if we would disclose or use, would affect the advice or services provided to the Clients.

All Employees are responsible for identifying specific instances of conflict and are required to notify the same to the Compliance Officer of any conflict they become aware of.

MEASURES FOR AVOIDANCE AND MITIGATION OF CONFLICT OF INTEREST

- The Compliance Officer shall create awareness and knowledge of applicable stipulations of the general Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material.
- Ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates.
- Once a conflict of interest has been identified it needs to be appropriately and adequately managed.
- The Employees shall at all times maintain the insider information confidential and seek to prevent misuse of the same.
- Disclosure of interest by the concerned employee in the securities in which he or she is dealing, by way of an email intimation to the Compliance Officer. The general presumption is that the Employee shall not deal in the securities of his/ her Clients while in possession of price sensitive information.
- The Compliance Officer will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational and compliance risk.
- Where a conflict is declared, the Compliance Officer will take such action as they deem fit to both declare and resolve the conflict. This may (and probably will) involve communication with the other parties in the assignment.
- As soon as the conflict is identified, the Employee shall refrain himself/herself from taking any decision on the assignment until the conflict has been resolved. In some cases, it will be necessary for the Employee to excuse himself/ herself from any work on the assignment.
- All discussions and decisions shall be regarded as records and be securely retained.
- All possible or actual conflicts of interest shall be investigated thoroughly, quickly, impartially and all relevant parties shall be intimated of the outcome.

- xi. Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect Clients' interest, the conflict must be disclosed to allow Clients to make an informed decision on whether to continue using our service in the situation concerned. In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to Clients.
- xii. We may decline to act for a Client in cases where we believe the conflict of interest cannot be managed in any other way.

AMENDMENTS AND LIMITATIONS

This Policy may be reviewed and amended periodically as and when required to ensure that it meets the objectives of the relevant legislation and needs of the Company and remains effective.

In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then the same shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly.
