

# POLICY ON PREVENTION OF DISSEMINATION OF UNAUTHENTICATED NEWS

## MERCHANT BANKING



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## POLICY ON PREVENTION OF DISSEMINATION OF UNAUTHENTICATED NEWS

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#### PREAMBLE




This policy emanates from circular issued by the Securities and Exchange Board of India (“SEBI”) [vide SEBI circular No. Cir/ ISD/1/2011 dated March 23, 2011 and addendum to the said circular dated March 24, 2011 and FAQs issued by SEBI on responsible handling] 2 of unauthenticated market related news or rumours by SEBI Registered Intermediaries, in respect of “unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communications” (“Circulars”). SEBI has through the Circulars instructed all SEBI registered market intermediaries, which includes Sumedha Fiscal Services Limited (“SFSL”) to put in place proper code of conduct and controls with respect to sharing of unauthenticated market related news or rumours.

#### PURPOSE

The purpose of the said policy is to:

- a) check origination or dissemination of unauthenticated market related news or rumours and to demonstrate to the regulator measures adopted for implementation of the policy;
- b) to ensure all employees to know what they are allowed to and prohibited from sharing and/or posting on social media channels in relation to Company; and
- c) outline the social media guidelines and protocols of the company.

#### DEFINITIONS

- a) Unauthenticated market related news or rumours may be defined as “information or news or talk or opinion widely disseminated with no discernible source or a statement or report without known authority for its truth.”
- b) Authentic News: News would be said to be authenticated when such information has been:
  -  Disclosed/confirmed by the Company through Stock Exchange/ SEBI or any other agency authorized to disseminate such information in its publication, in electronic form or otherwise;
  -  Reported in the Annual Report/prospectus/press release or any other official publication of the Company;
  -  Disclosed in media i.e. press report, television report, websites along with source of information and reports.
- c) Employee means person employed and is on the payroll at SFSL.

- d) Social Media means any form of electronic communication or application that enables users to create online communities and share knowledge, opinions, media, and private and public messages.

## SCOPE

SEBI has observed that unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees of SEBI Registered Intermediaries without adequate caution as mandated in the Code of Conduct provided in respective SEBI Regulations. Employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well-established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.

Accordingly, SEBI has directed all intermediaries to frame detailed policy on circulation of market news by staff members and have adequate controls in place for its circulation after ensuring that news being circulated is authentic news.

This Policy applies to all employees, including interns and part-time, full-time employees.

## ROLES AND RESPONSIBILITIES

### Employees

No employee shall circulate any market related information/ news/ market buzz/ rumour or unverified information (information which is not authentic as defined above), at any time without verification, to clients or any other person through phone, SMS, email (personal or official), blog or any other mode of communication.

In order to prohibit circulation of unauthenticated news and rumours or unverified information obtained from client, industry, any trade or any other sources without verification, following guidelines are to be adhered to:

- 1. Adherence to internal code of conduct and controls.
- 2. Employees shall not under any circumstances be involved in the origination of an unauthenticated market related news or rumours.
- 3. Employees/ any other person employed/working with the Company do not encourage or circulate rumours or unverified information obtained from customer, industry, any trade or any other sources without verification.
- 4. Logs for any usage of such Blogs/Chat forums/Messenger sites shall be treated as records and the same would be maintained on a best effort basis.
- 5. Employees shall refrain from participating in discussions through electronic tools where the source of such information is not verifiable.
- 6. The Employee is required to immediately bring to the notice of the Supervisor/ Head of the Department and the Compliance Officer any such news or information received to verify the reliability and accuracy of the news, where the source of such information is ambiguous and not verifiable.
- 7. Employees shall maintain high standards of integrity, promptitude and fairness in the conduct of duty and act with due skill, care and diligence.

- ☒ Employees shall ensure that they shall not create false market or indulge in any act detrimental to the investors' interest or which leads to interference with the fair and smooth functioning of the market.

### **Compliance Officer**

The Compliance Officer shall:

- ☒ put in place adequate systems which shall make best efforts to prevent the spreading of unauthenticated market related news or rumours by employees of the intermediary.
- ☒ document appropriate training policies and programs reasonably designed to ensure that employees comply with their responsibilities and obligations.
- ☒ ensure affirmation of these policies by each employee periodically.
- ☒ conduct periodic monitoring to ensure compliance with the laid down policies and take action in case an employee is found violating the laid down policy.
- ☒ report the same to SEBI in terms of extant Regulations.

### **IMPLEMENTATION**

- ☒ Usage of Blogs/Chat forums/Messenger/Social Network sites etc. shall be blocked/restricted.
- ☒ Logs of usage of Blogs/Chat forums/Messenger /Social Network sites etc. wherever made available to the employees shall be treated as "records" under SEBI (Depositories & Participants) Regulations, 1996 and maintained/preserved for 5 years.
- ☒ Compliance Officer shall obtain annual declaration from the employees regarding compliance with "Code of Conduct" mentioned above.
- ☒ Any violation of the Code of Conduct/Policy would constitute an act of misconduct which may result in disciplinary action including termination of employment.
- ☒ Violations of the Code of Conduct/Policy may also constitute violations of law and may result in prosecution by regulatory authorities.
- ☒ Any Employee who suspects violation of the letter or spirit of the Code of Conduct/Policy, has an obligation to report their concerns to the Compliance Officer.

### **AMENDMENTS AND LIMITATIONS**

This Policy may be reviewed and amended periodically as and when required by the Compliance Officer 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.

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