

# Qode

Code Of Conduct

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## *Preamble*

Qode Advisors LLP (“Qode Advisors” or “Firm”) is committed to the ethical conduct of business and to achieve this goal has introduced an array of policies. Code of Conduct (“Code”) is part of this integral policy framework for ethical and compliant conduct of business.

Qode Advisors’s purpose is to “make wealth creation simple and accessible by being trustworthy and transparent capital allocators”. All our actions need to be in line with this purpose and the fiduciary position we hold for our clients. All employees of the firm are expected to adhere to this Code in their professional conduct, treat co-workers with respect and fairness, respect different beliefs, cultures, and religious values of the people they work with, and work co-operatively without discriminating against other co-workers.

This Code is instituted to provide guidance to all employees of the Firm on conducting business on behalf of the Firm, with internal or external stakeholders and/or other parties as representatives of the Firm. The Code aims to provide guidelines on appropriate standards of conduct such as to maintain and enhance the reputation of the Firm.

## *Scope*

The Code of Conduct is applicable to all employees of Qode Advisors including permanent, part-time and interns and partners (“Employees”). In essence, anyone representing Qode Advisors or working on Qode Advisors’s behalf is expected to act consistently with the Code.

## *Responsibilities under the Code*

### **A. Responsibility of Employees**

It is the responsibility of each Employee to be aware of and abide by the Code described in this document. Further, each Employee is responsible for reporting any violations of the Code they observe within the firm to the

## B. Responsibility of the Senior Management

In addition to the above, the Leadership Team at Qode Advisors has an additional responsibility to drive a culture of integrity, honesty, ethics and law-abiding behaviour among other Employees in the organization. Towards this end, they are expected to demonstrate these traits, reinforce the Code as part of regular Employee engagement, encourage Employees to report violations of the Code and guard against taking retaliatory action against anyone for making a good faith report.

Qode Advisors is a SEBI-registered Portfolio Manager. The applicable regulations lay down various codes of conduct that Employees of every intermediary like Qode Advisors need to follow. Such regulatory codes are included as annexures to this Code and are considered to be an inherent part of this Code.

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## *Code Of Conduct*

### A. Code of Personal Conduct

#### 1. Honesty & Integrity

All Employees are expected to always demonstrate the highest standards of honesty and integrity in their conduct while representing Qode Advisors and conducting business on behalf of Qode Advisors. Towards this end, every Employee is required to be straightforward and honest in their professional and business relationships and be truthful about the services provided, the knowledge possessed, and the experience gained.

#### 2. Respect for all

All Employees are expected to demonstrate respect and trustworthy behaviour in their dealings with other Employees as well as external stakeholders.

#### 3. Team spirit

All Employees are expected to uphold the spirit of teamwork and ensure that the best interest of the team and Firm prevails at all times.

#### 4. Substance abuse

The use or possession of illegal drugs, and other controlled substances in the workplace and being under the influence of these substances on the job and during working hours is strictly prohibited.

### B. Code of Conduct Towards Employment Practices

#### 1. Equal Opportunities for Employment

Qode Advisors provides equal employment opportunity to all qualified persons without discrimination on the basis of age, sex, race, disability, marital status, or religion in accordance with applicable local, state and

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national laws and regulations. All employment and promotion decisions will be based solely upon individuals' qualifications, experience, prior contribution and demonstrated capacity to perform at higher or improved levels of performance and will be in accordance with the principle of equal employment opportunity.

## **2. A workplace free of harassment**

Qode Advisors is committed to providing a work environment that ensures every employee is treated with dignity and respect and afforded equitable treatment. The Firm is also committed to promoting a work environment that is conducive to the professional growth of its employees and encourages equality of opportunity. Qode Advisors will not tolerate any form of sexual harassment and is committed to taking all necessary steps to ensure that Employees are not subjected to any form of harassment. Employees need to report any incidents of sexual harassment to the independent committee as defined in the POSH policy and guided by the Sexual Harassment of Women at Workplace (Prohibition, prevention and Redressal) Act, 2013. Qode Advisors will initiate appropriate disciplinary action against the Employee found guilty of any kind of sexual harassment by the Independent Committee for POSH

## **3. A workplace free from violence**

Qode Advisors will not tolerate any violence in any form either within premises or outside, where Firm related activities are carried out. Employees are encouraged to reach out to the respective manager/ head of department / HR team for amicable resolution of work-related issues and concerns.

## **4. Open door communication**

Qode Advisors believes that the work environment should be free from any kind of bureaucracy and all Employees must have access to other employees regardless of their position or influence in the Firm. All managers are expected to foster an open-door culture in the workplace.

## **5. Environment, Health & Safety**

Qode Advisors is committed to providing its employees with a safe,

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healthy, and sound working environment. The Firm will take all possible measures to ensure the health and safety of its Employees.

Safety at the workplace is also every Employee's responsibility. All employees and visitors to the workplace must comply with safety norms/policies/standards as prescribed by the Firm and applicable law. All Employees must ensure that no unsafe act is committed at the workplace. Employees must also undertake all possible measures to eliminate any unsafe condition as soon as they become aware of it.

If an Employee witnesses any unsafe act or unsafe condition, they should report the matter to the Human Resources department at the earliest.

## **6. Personal Information Privacy**

Qode Advisors is committed to protecting the personal information that is shared by Employees during the course of employment, consistent with applicable data privacy laws, including the rules surrounding the collection, processing, use, transfer and disclosure of personal information.

It is expected that Employees whose job responsibilities include the collection, modification, transfer, processing, storage or use of personal employee information will comply with the applicable data privacy laws and other internal controls that protect this personal information.

# **C. Conflicts of Interests and Compliance with laws and regulations**

## **1. Conflicts of interest and duty**

Each Employee is expected to avoid situations in which his or her financial or other personal interests or dealings are or may be, in conflict with the interests of the Firm. Accordingly, the Firm expects its Employees to always act in the Firm's interest. Employees must also not engage in any other activity that could reasonably conflict with the Firm's interests and interfere with the performance of their duties.

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Employees are advised not to engage in any other business, commercial or investment activity that may conflict with their ability to perform their duties to the Firm.

Employees must not use any Firm's property, information position, or opportunities for personal gains or to compete with or to tarnish the image of the Firm. Where Employees' personal interests conflict with those of the Firm, in all such cases the Employee must seek advice from his or her reporting/ reviewing manager or from senior management or from Compliance Officer for the avoidance of doubt, mere financial portfolio investments shall not be considered as activities that conflict with the business of the Firm.

The Employee shall for a period of 24 (Twenty) months after the date of termination of his employment with the Firm for any reason, not either directly or indirectly solicit, induce, recruit or encourage any of the Firm's employees to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of the Firm, either for himself or for any other person or entity.

## **2. Protection of Firm Assets & Information**

Employees must ensure the appropriate use of Firm assets or Firm information including Firm property, computers & communication systems, financial information, business strategy, technology, intellectual property, brands, trademarks, or any other non-public information. The misuse or destruction of Firm assets or Firm information shall be considered as misconduct and strict disciplinary action shall be initiated in such cases.

All intellectual properties including without limitation, ideas, papers, opinions, precedents, documents and databases and/or any/all improvements thereupon

- a. conceived (whether or not during the regular office hours) or made by the Employee during the course of his employment with the Firm, and
- b. Other ideas, techniques or principles related to the business of the Firm, shall be disclosed promptly by the Employee to the Firm and shall belong to and be the sole property of, the Firm.

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The Employee expressly disclaims any right, title, interest or ownership in or with regard to the same.

### **3. Insider Trading**

Qode Advisors has a policy designed to prevent legal, business and ethical conflicts of interest related to personal investment activities of Employees of Qode Advisors, and the investment and fund management functions of Qode Advisors undertaken on behalf of its clients. The policy also aims to guard against the misuse of proprietary or confidential information.

All Employees of the Firm are bound by this Policy and are required to observe it both in letter and spirit.

### **4. Confidential Information**

All Employees, whether in employment or even after the cessation of the employment, are required to maintain and protect the confidentiality of Firm information, client information, intellectual property rights described above and other proprietary or confidential information and not use for the purpose of personal benefit or the benefit of any other entity.

An Employee shall not disclose in writing/verbal any facts, figures, information, trade secrets and/or confidential documents obtained during the course of the business relationship with the Firm to any person /authority /organization/statutory body unless required by law and/or with specific written permission of the Firm. They shall not provide any information either formally or informally to the press or to any other publicity media unless specifically authorized to do so.

The Employee shall not hereafter in perpetuity, issue any press statements news items or social media statements (on any platform whatsoever) or offer any public interviews which do or may (in the reasonable opinion of the Firm) have the effect of disparaging the Firm or any of its officials or its business activities.

Employees shall ensure while using electronic/digital media that



activities do not create a conflict of interest or inadvertently disclose confidential business information, you may not publish, post or link to any material in written or electronic format, make speeches, give interviews or make public appearances on behalf of or as a representative of Firm that mention Companies operations, clients, products or services, without prior approval from the Firm.

## **5. Anti-Bribery and Anti-Corruption**

Qode Advisors has a 'zero tolerance policy' towards bribery and corruption and aims to foster a culture of integrity and show its commitment to combating both bribery and corruption. ABAC Policy is formulated in terms of the Prevention of Corruption Act, 1988 as amended by the Prevention of Corruption (Amendment) Act, 2018, the United States Foreign Corrupt Practices Act of 1977 and the United Kingdom Anti-Bribery Act of 2010 and provides guidelines in conducting acts with ethical behavior and not indulging in any acts that can be tantamount to corruption and unethical behavior.

Employees are prohibited from receiving any payments or gifts from any third party as a result of his/her employment with Qode Advisors, except where such gifts are food items of reasonable value. Similarly, Employees are prohibited from offering any bribes or making any improper payments or gifts for furtherance of Qode Advisors business or otherwise.

## **6. Anti Money Laundering (AML) and combating financing of terrorism (CFT)**

Qode Advisors ensures that its systems are not used for laundering money and for carrying out any illicit funding activity. Qode Advisors has in place a detailed policy for AML and CFT. Employees are required to undergo training and be vigilant in their duties to detect possible attempts to use Qode Advisors systems for laundering money. Compliance with the AML and CFT policy is an important element of Qode Advisors' compliance program.

## **7. Violation of the Code and reporting under the Code**

Each employee must report actual or potential violations of this code of conduct or applicable laws to the Compliance Department. All such reports of violation shall be treated as protected disclosures if made

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under the Whistle Blower Policy. Employees have the option to make a complaint through email to [compliance@qodeinvest.com](mailto:compliance@qodeinvest.com).

## 8. Consequences for violations

Violations of this Code, Firm Policy or the law will attract disciplinary action—up to and including termination. Violations also include any false allegations, regardless of whether they are made anonymously. Legal and ethical misconduct can also subject the Employees involved and Qode Advisors to fines, penalties and civil or criminal prosecutions.

## 9. Amendments

The Firm is committed to continuously reviewing and updating its policies and procedures. Therefore, the Firm reserves its right to amend, alter or terminate this code at any time and for any reason, subject to applicable law.

*This Code of Conduct is not exhaustive and lays down only the general principles to be followed by all parties as covered under the Code. The Firm may have separate codes/policies formulated for regulating various matters that may be required under the specific laws. The parties shall be responsible for adhering to such additional codes/policies as may be applicable to them.*

## *Regulatory Code Of Conduct*

### *1. Annexure A*

#### **Code Of Conduct as a Portfolio Manager**

1. Portfolio Manager shall, in the conduct of his business, observe high standards of integrity and fairness in all his dealings with his clients and other Portfolio Managers.
2. The money received by a Portfolio Manager from a client for an investment purpose should be deployed by the Portfolio Manager as soon as possible for that purpose and money due and payable to a client should be paid forthwith.
3. A Portfolio Manager shall always render high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment. The Portfolio Manager shall either avoid any conflict of interest in his investment or disinvestment decision, or where any conflict of interest arises, ensure fair treatment to all his customers. It shall disclose to the clients, a possible source of conflict of interest, while providing unbiased services. A Portfolio Manager shall not place his interests above those of his clients.
4. A Portfolio Manager shall not execute any trade against the interest of the clients in its proprietary account.
5. A Portfolio Manager shall not make any statement or indulge in any act, practice, or unfair competition, that is likely to be harmful to the interests of other Portfolio Managers or is likely to place such other Portfolio Managers in a disadvantageous position in relation to the Portfolio Manager himself while competing for or executing any assignment.
6. A Portfolio Manager shall not make any exaggerated statement,

whether oral or written to the client either about the qualification or the capability to render certain services or his achievements regarding services rendered to other clients.

7. At the time of entering a contract, the Portfolio Manager shall obtain in writing from the client, his interest in various corporate bodies which enables him to obtain unpublished price-sensitive information about the body corporate.
8. A portfolio manager shall not disclose to any clients, or press any confidential information about his client, which has come to his knowledge.
9. The portfolio manager shall where necessary and in the interest of the client take adequate steps for the transfer of the client's securities and for claiming and receiving dividends, interest payments and other rights accruing to the client. It shall also take necessary action for the conversion of securities and subscription for/renunciation of rights in accordance with the client's instruction.
10. A Portfolio Manager shall endeavor to
  - a. Ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them.
  - b. Render the best possible advice to the client having regard to the client's needs the environment, and his own professional skills.
  - c. Ensure that all professional dealings are affected in a prompt, efficient and cost-effective manner.
11. A portfolio manager all not be a party to –
  - a. Creation of false market in securities;
  - b. Price rigging or manipulation of securities;
  - c. Passing of price-sensitive information to brokers, members of

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the recognized stock exchanges and any other intermediaries in the capital market or taking any other action that is prejudicial to the interest of the investors.

12. No portfolio manager or any of its directors, partners or manager shall either on their own or through their associates or family members or relatives enter into any transaction in securities of companies on the basis of unpublished price-sensitive information obtained by them during the course of any professional assignment.
13. A portfolio manager or any of its employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his long or short position in the said security has been made while rendering such advice.
14. In case an employee of the portfolio manager is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.
15. The portfolio manager shall abide by the Act, Rules, and regulations made thereunder and the Guidelines / Schemes issued by the Board.
16. The portfolio manager shall comply with the code of conduct specified in the SEBI (Prohibition of Insider Trading) Regulations, 2015.
17. The portfolio manager shall not use his status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.

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## *2. Annexure B*

### **A. Code Of Conduct as an Alternative Investment Fund.**

An Alternative Investment Fund shall

1. Carry out its business activities and invest in accordance with the investment objectives stated in the placement memorandum and other fund documents.
2. Be operated and managed in the interest of all investors and not only in the interest of the sponsor, manager, directors or partners of the sponsor and manager or a select class of investors.
3. Ensure the dissemination of adequate, accurate, explicit, and timely information in accordance with these Regulations to all investors.
4. Ensure the dissemination of any other information as agreed with the investors.
5. Ensure that an effective risk management process and appropriate internal controls are in place.
6. Have written policies and procedures to identify, monitor and appropriately mitigate any potential conflict of interest throughout the scope of its business.
7. Not use any unethical means to sell, market or induce any investor to buy its units.
8. Have written policies and procedures to comply with anti-money laundering laws.

## **B. Code Of Conduct for the managers of the Alternative Funds & Key Management Personnel of Managers & Alternative Investment Funds.**

Every Manager of Alternative Investment Funds and key management personnel of the manager and Alternative Investment Funds shall:

1. Abide by the Act, Rules, Regulations, Guidelines and Circulars as applicable to Alternative Investment Funds always.
2. Maintain integrity and, the highest ethical and professional standards in all its dealings.
3. Ensure proper care and exercise due diligence and independent professional judgment in all its decisions.
4. Act in a fiduciary capacity towards investors of the Alternative Investment Fund and ensure that decisions are taken in the interest of the investors.
5. Abide by the policies of the Alternative Investment Fund to identify, monitor, and appropriately mitigate any potential conflict of interest throughout the scope of its business.
6. Not make any misleading or inaccurate statement, whether oral or written, either about their qualifications or capability to render investment management services or their achievements.
7. Record in writing, the investment, divestment, and other key decisions, together with appropriate justification for such decisions.
8. Provide appropriate and well-considered inputs, that are not misleading, as required by the valuer to carry out appropriate

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valuation of the portfolio.

9. Not enter arrangements for the sale or purchase of securities, where there is no effective change in beneficial interest or where the transfer of beneficial interest is only between parties who are acting in concert or collusion, other than for bona fide and legally valid reasons.
10. Abide by confidentiality agreements with the investors and do not make improper use of the details of personal investments and/or other information of investors.
11. Not offer or accept any inducement in connection with the affairs of or business of managing the funds of investors.
12. Document all relevant correspondence and understanding during a deal with counterparties as per the records of the Alternative Investment Fund if they have committed to the transactions on behalf of the Alternative Investment Fund.
13. Maintain ethical standards of conduct and always deal fairly and honestly with investee companies.
14. Maintain confidentiality of information received from investee companies and companies seeking investments from Alternative Investment Fund, unless explicit confirmation is received that such information is not subject to any non-disclosure agreement.

## **C. Code Of Conduct For Members Of The Investment Committee, Trustee, Trustee Firm, Directors Of The Trustee Firm, Directors, Or Designated Partners Of The Alternative Investment Fund**

Members of the Investment Committee, trustee, trustee Firm, directors



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of the trustee Firm, directors or designated partners of the Alternative Investment Fund shall:

1. Maintain integrity and the highest ethical and professional standards of conduct.
2. Ensure proper care and exercise due diligence and independent professional judgment in carrying out their roles.
3. Disclose details of any conflict of interest relating to any/all decisions in a timely manner to the Manager of the Alternative Investment Fund, adhere to the policies and procedures of the Alternative Investment Fund with respect to any conflict of interest and wherever necessary, recuse themselves from the decision-making process.
4. Maintain confidentiality of information received regarding the Alternative Investment Fund, its investors and investee companies; unless explicit confirmation is received that such information is not subject to any non-disclosure agreement.
5. Not indulge in any unethical practice or professional misconduct or any act, whether by omission or commission, which is tantamount to gross negligence or fraud.

### *3. Annexure C*

#### **A. Code Of Conduct As An Investment Adviser**

##### **1. Honesty And Fairness**

An Investment Adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

##### **2. Diligence**

An Investment Adviser shall act with due skill, care, and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and considering available alternatives.

##### **3. Capabilities**

An Investment Adviser shall have and employ effectively appropriate resources and procedures that are needed for the efficient performance of its business activities.

##### **4. Information About Clients**

An Investment Adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.

##### **5. Information To Its Clients**

An Investment Adviser shall make adequate disclosures of relevant material information while dealing with its clients.

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**6. Fair And Reasonable Charges**

An Investment Adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The Investment Adviser shall ensure that fees charged to the clients are fair and reasonable.

**7. Conflicts Of Interest**

An Investment Adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated.

**8. Compliance**

An Investment Adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities to promote the best interests of clients and the integrity of the market.

**9. Responsibility Of Senior Management**

The senior management of a body corporate that is registered as an Investment Adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

## *4. Annexure D*

### Code Of Conduct Under Sebi (Intermediaries) Regulations, 2008

#### A. Investor Protection

##### 1. Investors / Clients

Every intermediary shall make all efforts to protect the interests of investors and shall render the best possible advice to its clients having regard to the client's needs and the environment and his own professional skills.

##### 2. High Standards of Service

An intermediary shall ensure that it and its key management personnel, employees, contractors and agents, shall in the conduct of their business, observe high standards of integrity, dignity, fairness, ethics and professionalism and all professional dealings shall be affected in a prompt, effective and efficient manner.

An intermediary shall be responsible for the acts or omissions of its employees and agents with respect to the conduct of its business.

##### 3. Exercise of Due Diligence and no Collusion

An intermediary shall at all times render high standards of service, exercise due skill and diligence over persons employed or appointed by it, ensure proper care and exercise independent professional judgment and shall not at any time act in collusion with other intermediaries in a manner that is detrimental to the investor(s).

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#### 4. Fees

An intermediary shall not increase charges/ fees for the services rendered without proper advance notice to its clients/investors.

### B. Disbursal Of Amounts

An intermediary shall be prompt in disbursing dividends, interests or any such accrual income received or collected by it on behalf of its clients/investors.

### C. Disbursal Of Information

1. An intermediary shall ensure that adequate disclosures are made to the clients/investors in a comprehensible and timely manner so as to enable them to make a balanced and informed decision.
2. An intermediary shall not make any misrepresentation and ensure that the information provided to the clients/investors is not misleading.
3. An intermediary shall not make any exaggerated statement whether oral or written to the client/investor, either about its qualification or capability to render certain services or its achievements in regard to services rendered to other clients/investors.
4. An intermediary shall not divulge to anybody, either orally or in writing, directly or indirectly, any confidential information about its clients/investors, which has come to its knowledge, without taking prior permission of its clients/investors except where such disclosures are required to be made in compliance with any law for the time being in force.

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## D. Conflict Of Interest

1. An intermediary shall avoid conflict of interest and make adequate disclosure of his interest and shall put in place a mechanism to resolve any conflict of interest situation that may arise in the conduct of its business or where any conflict of interest arises, shall take reasonable steps to resolve the same in an equitable manner. An intermediary shall make appropriate disclosure to the client/investor of its possible source or potential areas of conflict of duties and interest while acting as an intermediary which would impair its ability to render fair, objective and unbiased services.
2. An Intermediary or any of its directors, or employee having the management of the whole or substantially the whole of affairs of the business, or an associate of the intermediary shall not, either through its account or their respective accounts or through their family members, relatives or friends indulge in any insider trading.

## E. Compliance And Corporate Governance

1. An Intermediary shall ensure that good corporate policies and corporate governance are in place. It shall not engage in fraudulent and manipulative transactions in the securities listed on any stock exchange in India and shall not indulge in any unfair competition (including resorting to unfair means for inducing another intermediaries' clients) which is likely to harm the interests of other intermediaries or investors or is likely to place such other intermediaries in a disadvantageous position while competing for or executing any assignment.
2. An Intermediary shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date backup is always available with it.
3. An Intermediary shall not be a party to or instrumental in or

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indulge in

- a. creation of a false market for securities listed or proposed to be listed on any stock exchange in India;
  - b. price rigging or manipulation of prices of securities listed or proposed to be listed on any stock exchange in India; or
  - c. Passing of unpublished price-sensitive information in respect of securities that are listed or proposed to be listed on any stock exchange to any person or intermediary, or
  - d. Any activity for distorting market equilibrium or which may affect the smooth functioning of the market or for personal gain.
- 4. An Intermediary shall co-operate with the Board, or any authority designated by the Board, as and when required and shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board or neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence and papers or any part thereof as may be demanded/requested from time to time.
- 5. An Intermediary shall ensure that any change in registration status /any penal action taken by the Board or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients/investors and any business remaining outstanding is transferred to another registered person in accordance with any instructions of the affected clients/investors or as per the instructions of the Board and the provisions of the relevant regulations.
- 6. An Intermediary shall maintain an appropriate level of knowledge and competency and abide by the provisions of any act, regulations, circulars and guidelines of the Central Government, the Reserve Bank of India, the Board, the stock exchange or any other applicable statutory or self-regulatory or

other body, as the case may be, and as may be applicable to the Intermediary in respect of the business carried on by such Intermediary. An Intermediary shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

7. An Intermediary shall ensure that the Board is promptly informed about any action, legal proceedings, etc., initiated against it in respect of any material breach or non-compliance by it, of any law, rules, regulations, and directions of the Board or of any other regulatory body.

## F. Intermediary Infrastructure Requirements

1. An Intermediary shall have internal control procedures and financial and operational capabilities that can be reasonably expected to protect its operations, its clients, investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.
2. An Intermediary also registered with the Board in any other capacity/ category shall endeavour to ensure that an arm's length relationship is maintained in terms of both manpower and infrastructure between the activities carried out as an Intermediary and other permitted activities.
3. An Intermediary shall establish and maintain an adequate infrastructural facility to be able to discharge its services as such intermediary to the satisfaction of clients/investors, and the operating procedures and systems of the intermediaries shall be well documented and backed by operations manuals.
4. An Intermediary shall create and maintain the records of all documents and data in their custody in such a manner that the tracing of such document or data is facilitated in the event of loss of original records or documents for any reason.



## *5. Annexure E*

### **A. Code Of Conduct And Obligations Of The Fund Management Entity Acting As A Portfolio Manager**

An FME acting as a Portfolio Manager shall:

1. Ensure that the money received from the client for an investment purpose is deployed as soon as possible for that purpose and that money due and payable to a client is paid forthwith.
2. Not execute any trade against the interest of the clients in its proprietary account.
3. Obtain in writing, the interest of the client in various corporate bodies which enables such clients to obtain unpublished price-sensitive information about such corporate bodies.
4. Where necessary and in the interest of the client, take adequate steps for the transfer of the client's securities and for claiming and receiving dividends, interest payments and other rights accruing to the client.
5. Take necessary action for conversion of securities and subscription for renunciation of rights in accordance with the client's instruction.
6. Not use its status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.
7. Not make any statement or indulge in any act, practice or unfair competition, that is likely to be harmful to the interests of other portfolio managers or is likely to place such other portfolio managers in a disadvantageous position in relation to the

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portfolio manager himself while competing for or executing any assignment.

8. Ensure that the investors are provided with true and adequate information without making any misguiding or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them.
9. Render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills; and
10. Ensure that all professional dealings are effected in a prompt, efficient and cost-effective manner.

## **B. Code Of Conduct And Obligations Of Principal Officer, Fund Manager And Compliance Officer**

1. The Principal Officer shall ensure that all the activities of the FME are in accordance with the provisions of these regulations and various circulars and guidelines issued thereunder.
2. The Principal Officer shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the investors.
3. Where the Principal Officer has reason to believe that the conduct of business of the FME is not in accordance with these regulations it shall forthwith take such remedial steps as are necessary by it and shall immediately inform the Authority of the violation and the action taken by it.
4. The Principal Officer shall periodically review the investor complaints received and shall ensure immediate redressal of the same by the FME.
5. Principal Officer and Fund Managers shall:

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- a. Abide by the Act, Rules, Regulations, Guidelines and Circulars governing the securities market;
    - b. Strive for the highest ethical and professional standards to enhance the reputation of the markets;
    - c. Act honestly in dealings with other market participants;
    - d. Act fairly and deal with market participants in a consistent and transparent manner.
  6. Act with integrity, particularly in avoiding questionable practices and behaviour;
  7. Not indulge in any unethical business activities or professional misconduct involving dishonesty, fraud or deceit or commit any act that could damage the reputation of the organisation or the fund management industry;
  8. Identify existing or potential conflicts of interest as per their institutions' policies and address the same;
  9. Not carry out any transaction on behalf of a scheme with any counterparty who is an associate of the FME / controlling shareholders unless such transaction is carried –
    - a. Out on arm's length basis after taking into account the interest of investors and;
    - b. In terms of the provisions of these regulations and circulars issued thereunder.
  10. Not offer or accept any inducement in connection with the affairs or business of managing the funds of investors which is likely to conflict with the duties owed to the investors;
  11. Not receive any gift or entertainment that is not in adherence to the gift and entertainment policy of the FME framed in this regard.
  12. The KMP designated as compliance officer shall:

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- a. Be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Authority and for redressal of investors grievances immediately.
  - b. Independently report to the Authority any non-compliance observed by him.

## 6. *Annexure F*

### Code Of Conduct Applicable To All Capital Market Intermediaries

A capital market intermediary:

1. Shall make all efforts to protect the interest of investors and render the best possible advice to the clients having regard to the needs of the clients, environment and its own professional skills.
2. Shall in the conduct of its business, observe high standards of integrity and fairness and fulfil its obligations in a prompt, ethical and professional manner.
3. Shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.
4. Shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains.
5. Shall not create false market either singly or in collusion with other intermediaries or the issuer in a manner that is detrimental to the interests of investors, or which leads to interference with the fair and smooth functioning of the market.
6. Shall endeavor to ensure that inquiries and grievances of the investors are dealt with in a timely and appropriate manner.
7. Shall not make any exaggerated statement either oral or in written form to the client about its capability, qualification and achievement in regard to services rendered to the client.
8. Shall maintain confidentiality with respect to the information about its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.

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9. Shall avoid conflict of interest and make adequate disclosure of its possible conflict of interest and duties and shall put in place a mechanism to resolve any conflict-of-interest situation.
  10. Shall not indulge in any unfair competition, which is likely to harm the interests of other capital market intermediaries and investors.
  11. Shall not discriminate amongst its clients, save and except on ethical and commercial considerations.
  12. Shall ensure that any change in registration status/any penal action taken by the Authority or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients.
  13. Shall inform the Authority promptly about any action initiated against it in respect of material breach or non-compliance of any law, regulations and direction issued by the Authority or any other regulatory body.
  14. Shall ensure that it and any of its employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, unless a disclosure of its interest in the said security has been made while rendering such advice.
  15. Shall ensure that it or any of its principal officers, directors, or employees having the power of management shall not either on its own account or through their relatives or friends indulge in insider trading.
  16. Shall have and employ effectively appropriate resources and procedures that are needed for the efficient performance of its business activities.
  17. Shall have internal control procedures and financial and operational capabilities adequate enough to protect the clients and investors from financial loss arising from theft, fraud, omissions and professional misconduct.
  18. Shall develop its own internal code of conduct for governing its internal operations and conduct of its employees.
  19. Shall ensure that the compliance officer / Compliance Officer has adequate freedom and power for the effective discharge of his duties.

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20. Shall ensure that any person it employs or appoints is a fit and proper person and otherwise qualified to act in the capacity so employed or appointed.
  21. Shall not be a party to or instrumental for:
    - a. Creation of false market;
    - b. Price rigging or manipulation;
    - c. Passing of unpublished price-sensitive information to any other intermediary or any person, in respect of any securities which are listed and proposed to be listed in any stock exchange.
  22. The senior management of a capital market intermediary shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the intermediary.
  23. Shall not make untrue statements or suppress any material fact in any documents, reports or information furnished to the Authority.
  24. Shall not make a recommendation to any client or investor who may be expected to rely thereon to acquire, dispose of or retain any securities unless he has reasonable grounds to believe that the recommendation is suitable.