



CFS Financial Services Pvt. Ltd.

POLICIES AND INTERNAL PROCEDURES FOR MANAGING CONFLICT OF INTEREST

OF

CFS FINANCIAL SERVICES PRIVATE LIMITED

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SEBI Regn. No.: INZ000224536

Depository Participant – NSDL-IN-DP-138-2015

(Drafted By Compliance Officer and adopted by the Board of Directors on 06.01.2014).

Version –1. 0. 0.



1. INTRODUCTION

- 1.1 SEBI vide its circular no. CIR/MIRSD/5/2013 dated August 27, 2013 issued a General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.

2. OBJECTIVES OF THE POLICY

- 2.1 This Policy on Management of Conflict of Interest for **CFS FINANCIAL SERVICES PRIVATE LTD** ('the **Company**'), intends to define a policy and procedure for dealing with Conflict of Interest and to effectively manage any conflicts of interest that may arise in carrying out its business. Management is responsible for ensuring that the Company's systems, controls and procedures are adequate to identify and manage conflicts of interest.

- 2.2 The objectives of this policy are as follows:

- i. high standards of integrity in the conduct of business;
- ii. fair treatment of clients and no discrimination amongst them;
- iii. avoidance of conflict of personal interest with the client and primacy of clients' interest;
- iv. appropriate disclosure to the clients of possible source or potential areas of conflict of interest;
- v. reducing the opportunities for conflict through prescriptive measures;
- vi. appropriate restrictions on transactions in securities while handling a mandate of issuer or client;
- vii. not to deal in securities while in possession of material non published information;
- viii. not to communicate the material non published information;
- ix. not to manipulate the demand for, or supply of, or to influence prices of, securities.
- x. not to have an incentive structure that encourages sale of products not suiting the risk profile of the clients;
- xi. not to share client information for the personal interest;

- 2.3 The conflict of interest policy aims to ensure that the Company's clients are treated fairly and at the highest level of integrity and that their interests are protected at all times. It also aims to identify conflicts of interest between:

- The Company and a Client
- Relevant Person and a Client
- Two or more Clients of the Company in the course of providing services to these Clients
- A Company service provider and a Client.

3. DEFINITIONS



i. **“intermediary”** means an entity registered under SEBI Act and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization; and

ii. **“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;

iii. **“Conflict of Interest”** Conflicts of Interest can be defined in many ways, including any situation in which an individual or corporation (either private or governmental) is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit.

4. IDENTIFICATION OF CONFLICTS OF INTERESTS

The Company shall take adequate steps to identify conflicts of interest. In identifying conflicts of interest, the Company will take into account situations where the company or an employee or a Relevant Person:

- 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 distinct from the Client’s interest in that outcome;
- Has a financial or other incentive to favour the interest of one Client over another;
- Carries out the same business as the Client; or
- Receives from a person other than a Client an inducement in relation to a service provided to a Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

5. MEASURES TAKEN BY THE COMPANY

The Company puts in place following arrangements to ensure that appropriate measures are taken by the Company to deal with the conflict of interest:

- 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 on behalf of the clients.
- v. No Employees 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. In certain areas, at the time of trading, disclosure may be made to the Client in a clear, fair and not misleading manner to enable the Client to make an informed decision.
- viii. There is a periodic review of the adequacy of the Company's systems and controls.
- ix. The officers/employees/dealers of the Company shall not deal in any securities which are dealt in by active clients of the Company for the purpose of intra day trading positions without the prior approval of Compliance officer/Director of the Company. The officers/employees of the Company involved in surveillance/risk management operations shall not deal in any securities on intra day trading in the Company either through themselves or through their family members or any friends for other related parties
- x. The Company and its officers shall make an effort to clear the margin accounts carrying securities on periodic basis as soon as any over dues of the clients have been cleared as well as the margins on trades have been reversed for which the securities were kept on such margin accounts. The Company shall make an effort to keep only the optimum margins.

An Officer's duty to the Company demands that he or she avoids and discloses actual and apparent conflicts of interest. A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company.

The Company adopts the following procedure in the key areas to manage the conflict of interest:

- i. **Employment/Outside employment:** With regard to the employment with the Company, Officers are expected to devote their full attention to the business interests of the Company. Officers are prohibited from engaging in any activity that interferes with their employment with the Company. Our policies prohibit Officers from accepting simultaneous employment with suppliers, customers, developers or competitors of the Company, or from taking part in any activity that enhances or supports a competitor's position. Additionally, Officers must disclose to the Company's Audit Committee, any interest that they have that may conflict with the business of the Company.
- ii. **Outside directorships:** It is a conflict of interest to serve as a director of any company that competes with the Company. Officers must first obtain approval from the Company's Board of Directors before accepting a directorship.
- iii. **Business Interests:** If an Officer is considering investing in any customer, supplier, developer or competitor of the Company, he or she must first take care to ensure that these investments do not compromise on their responsibilities to the Company. Our policy requires that Officers first obtain approval from the Company's Board of Directors before making such an investment. Many factors should be considered in determining



whether a conflict exists, including the size and nature of the investments, the Officer's ability to influence the Company's decisions, his or her access to confidential information of the Company or of the other company, and nature of the relationship between the Company and the other company. At the time of application for approval, full facts of the proposed investment shall be placed before the Committee.

- iv. **Related parties:** As a general rule, Officers should avoid conducting Company's business with a relative, or have business in which a relative is associated or any supplier of goods and services to the company in any significant role. A relative means and includes spouse, children, parents, grandparents, grandchildren, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. Subject to the rules and regulation, the Company discourages the employment of relatives of Officers in key positions or assignments within the same department. Further, the Company prohibits the employment of such individuals in positions that have a financial dependence or influence (e.g. an auditing or control relationship, or a supervisor/subordinate relationship).
- v. **Payments or gifts from others:** Under no circumstance the Officers shall accept any offer, payment, promise to pay, or authorisation to pay any money, gift, or anything of value from customers, vendors, consultants, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commitment of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy are to be directed to Board of Directors. Gifts given by the Company to suppliers or customers should be appropriate to the circumstances and should never be of a kind that could create an appearance of impropriety. The nature and cost must always be accurately recorded in the Company's books and records
- vi. **Corporate opportunities:** Officers may not exploit for their own personal gain, opportunities that are discovered through the use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board declines to pursue such opportunity
- vii. **Interested Contracts:** Except with the consent of the Board of Directors of the Company, any of the Director or his relative or a firm in which a director or his relative is a partner, any other partner in such a firm, or a private company of which the director is a member or director shall enter into any contract with the Company for sale, purchase or supply of goods, materials or services, except for purchase or sale of goods for market price or such contracts which either party regularly trades or does business. For any clarification in this regard, the officers are requested to contact to the Finance Department or any Board member.



- viii. **Whistle Blower Policy:** Employees who came across any unethical or improper practice (not necessarily a violation of law) shall be free to approach the Board of Directors without necessarily informing their supervisors. All officers are requested to inform their subordinates about their right through an effective manner. For any clarification in this regard please contact Finance Department or any Board member.
- ix. **Other Situations:** It would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts, please contact Finance Department or a Board member.

REVIEW OF THE POLICY

The Company expects all its associated persons, employees, to adhere to this policy. The Board of Directors of the Company reserves the right to amend, supplement or discontinue this policy and the matters addressed herein, without prior notice, at any time.

This policy shall come into effect from the date of approval of the Board of Directors of the company for its implementation so as to provide necessary guidance enabling identification, elimination or management of conflict of interest situations and that the same shall be reviewed and assessed annually by the company management.