

Internal Policy & Control Procedure
In terms of
Securities and Exchange Board of India (Research Analysts)
Regulations, 2014

Preamble

SEBI vide its Notification No. LAD-NRO/GN/2014-15/07/1414 dated September 1, 2014 has notified SEBI (Research Analysts) Regulations, 2014 (hereinafter referred to as 'SEBI Regulations'). These regulations have been introduced by SEBI with the objective of fostering transparency in security research and provide the investors with more reliable and useful information to make investment decisions. According to these regulations, Research Analyst(s) or Research Entity are required to put in place a comprehensive policy framework as prescribed in Chapter III of the SEBI Regulations.

To ensure compliance with SEBI Regulations, **Ms K M Jain Stock brokers Pvt Ltd** (hereinafter referred to as 'Research Analyst'), being an applicant to intended SEBI registered Research Analyst, is required to adopt and adhere to such regulations, subject to the following internal policies and control procedures:

A. Applicability

This policy shall be applicable to Research Analyst and all his employees engaged as research analysts i.e. a person primarily responsible for preparation or publication of the content of the research report; or providing a research report or making 'buy/sell/hold' recommendation or giving price target or offering an opinion concerning public offer with respect to securities that are listed or proposed to be listed in a Stock Exchange, whether or not such person has the job title of a 'research analyst'. It also includes an associated person who reports directly or indirectly to the Research Analyst.

B. Objective:

1. to establish proper internal control and procedures and to govern the dealing and trading by any research analyst.
2. To address actual or potential conflict of interest arising from such dealings or trading of securities of Subject Company and promoting objective and reliable research that reflects the unbiased view of research analyst.
3. Preventing the use of research report or research analysis to manipulate the securities market.

4. To implement appropriate mechanisms to ensure independence of its research activities from its other business activities. To ensure compliance with SEBI rules and regulations, we being the Stock Broker registered under SEBI, is required to adopt and adhere such Research Analyst Regulation., subject to the following policies and procedures.

C. Definitions

Various terms shall have the following definitions and the other terms shall have the same meaning assigned to them in the SEBI Regulations.

- **“Associate”** means associate as defined in Securities and Exchange Board of India (Intermediaries) Regulations, 2008. Securities and Exchange Board of India (Intermediaries) Regulations, 2008 defines associate as any person controlled, directly or indirectly, by the intermediary, or any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such intermediary, and where such intermediary is a natural person will include any relative of such intermediary and where such intermediary is a body corporate, will include its group companies (as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (Act No. 54 of 1969) or any re-enactment thereof) or companies under the same management.
- **“Price Target”** means expectations of the Research Analyst on the future performance of specific securities.
- **“Public Appearance”** means any participation in a conference call, seminar, forum (including interactive and non-interactive electronic forum), radio or television or internet or web or print media broadcast, authoring a print media article or other public speaking activity in public media in which a Research Analyst makes a recommendation or offers an opinion, concerning securities or public offer; provided that it does not include a password protected webcast, conference call or such other events with the clients, if all of the event participants previously received the research report or other documentation that contains the required applicable disclosures and that the Research Analyst appearing at the event corrects and updates during the public appearance any disclosure in the Research Report that are inaccurate, misleading or no longer applicable.
- **“Public Offer”** includes initial public offer, further public offer, offer for sale, disinvestment, takeover, buy-back or delisting of securities.
- **“Research Analyst”** means a person who is primarily responsible for:
 1. Preparation or publication of the content of the research report; or
 2. Providing research report; or
 3. Making ‘buy/sell/hold’ recommendation; or
 4. Giving price target; or
 5. Offering an opinion concerning public offer,
with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of ‘research analyst’ and includes any other entities engaged in issuance of research report or research analysis. It also includes

any associated person who reports directly or indirectly to such a research analyst in connection with activities provided above.

- **"Relative"** means a person as defined in sub section (77) of section 2 of the Companies Act, 2013 and who is financially dependent on independent research analyst or individual research analyst employed by research entity;
- **"Research Entity"** means an intermediary registered with SEBI who is also engaged in merchant banking or investment banking or brokerage services or underwriting services and issue research report or research analysis in its own name through the individuals employed by it as research analyst and includes any other intermediary engaged in issuance of research report or research analysis.
- **"Research Report"** means any written or electronic communication that includes research analysis or research recommendation or an opinion concerning securities or public offer, providing a basis for investment decision and does not include the following communications :-
 - Comments on general trends in the securities market
 - Discussions on the broad based indices
 - Commentaries on economic, political or market conditions
 - Periodic reports or other communications prepared for unit holders of mutual fund or alternative investment fund or clients of portfolio managers and investment advisers
 - Internal communications that are not given to current or prospective clients
 - Communications that constitute offer documents or prospectus that are circulated as per regulations made by the Board
 - Statistical summaries of financial data of the companies
 - Technical analysis relating to the demand and supply in a sector or index
 - Any other communication which SEBI may specify from time to time.
- **"Significant news or event"** means any news or event which is expected to have a material impact on or that reflects a material change to, the subject company's earnings, operations or financial condition, other than unpublished price sensitive information.
- **"Subject company"** means the company whose securities are the subject of a Research Report or a public appearance.

D. Management of Conflict of Interest and Disclosure Requirements :

The Research Analyst shall maintain arms-length relationship between the research activities and other activities.

a) Limitations on trading by research analysts:

1. Personal trading activities of the individuals employed as research analysts, if any, shall be monitored, recorded and wherever necessary, shall be subject to a formal approval process.
2. Research Analyst or individuals employed as research analysts, if any, or their associates shall not:

- deal or trade in securities recommended / followed by the Research Analyst within 30 days before and 5 days after the publication of a Research Report;
- deal or trade in securities that the Research Analyst reviews in a manner contrary to his given recommendation;
- purchase or receive securities of the issuer before the issuer's initial public offering, if the issuer is principally engaged in the same types of business as companies that the Research Analyst follows or recommends.

However, the above restrictions to deal / trade in securities shall not be applicable in case of significant news or event concerning the subject company or based upon an unanticipated significant change in the personal financial circumstances of the Research Analyst or individuals employed as research analysts, if any, subject to prior written approval from the Research Analyst.

b) Limitations on Publication of Research Report, Public Appearance, Conduct of Business etc.

1. The Research Analyst shall not publish or distribute research report or research analysis or make public appearance regarding a subject company for which he has acted as a manager or co-manager at any time falling within a period of:
 1. 40 days immediately following the day on which securities are priced if the offering is an initial public offering; or
 2. 10 days immediately following the day on which securities are priced if the offering is a further public offering.
2. In case the Research Analyst is acting as an underwriter of any initial public offering, he shall not publish or distribute a research report or make public appearance regarding that issuer for 25 days from the date of offering.
3. In case the Research Analyst has acted as a manager or co-manager of public offering of securities of a company, he shall not publish or distribute a research report or make public appearance concerning that company within 15 days prior to date of entering into and 15 days after expiration / waiver / termination of a lock-up agreement or any other agreement that the Research Analyst has entered into with the subject company that restricts or prohibits the sale of securities held by the subject company after the completion of public offering of securities.
4. The Research Analyst shall not participate in business activities designed to solicit investment banking or merchant banking or brokerage services business, such as sales pitches and deal road shows.
5. The Research Analyst shall have adequate documentary basis, supported by research, for preparing a research report.
6. The Research Analyst shall not provide any promise or assurance of favorable review in the Research Report to a company or industry or sector or group of companies or business group as a consideration to commence or influence a business relationship of for the receipt of compensation or other benefits.

7. The Research Analyst shall not issue a Research Report that is not consistent with the views of the individuals employed as research analyst regarding a subject company.

c) Disclosures in Research Report

The Research Analyst shall disclose all material information including the business activity, disciplinary history, the terms and conditions on which the Research Report is offered details of associates and such other information as is necessary to take an investment decision, including the following:

1. The Research Analyst shall disclose the following in Research Report and in public appearance with regard to ownership and material conflicts of interest:

- whether the Research Analyst or his associate or his relative has any financial interest in the subject company and the nature of such financial interest;
- whether the Research Analyst or his associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance;
- whether the research analyst or his associate or his relative, has any other material conflict of interest at the time of publication of the Research Report or at the time of public appearance;

2. The Research Analyst shall disclose the following in Research Report with regard to receipt of compensation:

- whether he or his associates have received any compensation from the subject company in the past 12 months;
- whether he or his associates have managed or co-managed public offering co-managed public offering of securities for the subject company in the past 12 months ;
- whether he or his associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months;
- whether he or his associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months;
- whether he or his associates have received any compensation or other benefits from the subject company or third party in connection with the Research Report.

3. The Research Analyst shall disclose the following in Research Report with regard to receipt of compensation:

- whether he or his associates have received any compensation from the subject company in the past 12 months;
- Whether the subject company is or was a client during 12 months preceding the date of distribution of research report and the types of such services provided.

4. Whether the Research Analyst has served as an officer, director or employee of the subject company.
5. Whether the Research Analyst has been engaged in market making activity for the subject company.
6. Such other disclosures in the Research Report or public appearance as specified by SEBI under any other regulations.

d) Contents of Research Report

1. The Research analyst shall ensure that facts in the Research Reports are based on reliable information and shall define the terms used in making recommendations, and these terms shall be consistently used.
2. If the Research Analyst employs a rating system, it must clearly define the meaning of each such rating including the time horizon and benchmarks on which a rating is based.
3. If a Research Report contains either a rating or price target for subject company's securities and the Research Analyst has assigned a rating or price target to the securities for at least 1 year, such Research Report shall also provide the graph of daily closing price of such securities for the period assigned or for a 3-year period, whichever is shorter.
4. The Research Analyst shall disclose the registration status and details of financial interest in the subject company, if he makes public appearance.
5. The Research Report shall not be made available selectively to internal trading personnel or a particular client or class of clients in advance of other clients who are entitled to receive the Research Report.
6. In case of distribution of any third party research report, the Research Analyst shall review such third party research report for any untrue statement of material fact or any false or misleading information. The Research Analyst shall also disclose any material conflict of interest of such third party research provider or he shall provide a web address that directs a recipient to the relevant disclosures.

D. Maintenance of Records

1. The Research Analyst shall maintain the following records:
 - Research Report duly signed and dated;
 - Research recommendation provided;
 - Rationale for arriving at research recommendation;
 - Record of public appearance.
2. All records shall be maintained either in physical or electronic form and preserved for a minimum period of 5 years. Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.
3. The Research Analyst shall conduct annual audit in respect of compliance with the SEBI Regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.

E. Other conditions:

Appointment of Compliance Officer.

The Research Analyst shall be the compliance officer responsible for monitoring the compliance of the provisions of the Securities and Exchange Board of India Act, 1992, these SEBI Regulations and circulars issued by SEBI and his/her absence, as may be decided by the Executive Directors of the Company.

General responsibility

- i. Research Analysts of the Company shall obtain NISM certification or such other certification for research analysts as specified by SEBI and It shall the Company, as may be applicable, comply with the certification and qualification requirements under regulation 7 at all times. Research Analysts shall obtain NISM certification or such other certification for research analysts as specified by SEBI within 2 years of commencement of the captioned SEBI Regulations.
- ii. Research analyst or research entity shall abide by Code of Conduct as specified below
 - a) Honesty and Good Faith Research analyst shall act honestly and in good faith.
 - b. Diligence Research analyst shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis Vertex Securities Limited
 - c. Conflict of Interest Research analyst shall effectively address conflict of interest which may affect the impartiality of its research analysis and research report and shall make appropriate disclosures to address the same
 - d. Insider trading or front running Research analyst shall not engage in insider trading or front running or front running of its own research report
 - e. Confidentiality Research analyst shall maintain confidentiality of report till the report is made public.
 - f. Professional Standard Research analyst engaged in research analysis shall observe high professional standard while preparing research report.
 - g. Compliance Research analyst shall comply with all regulatory requirements applicable to the conduct of its business activities
 - h. Responsibility of senior management The senior management of research analyst shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures In case of change in control of the Company, prior approval from the SEBI shall be taken. The Company shall furnish to the Board information and reports as may be specified by the SEBI from time to time