

BCB BROKERAGE PRIVATE LIMITED
POLICY FOR DEALING WITH CONFLICTS OF INTEREST
(Applicable for all exchanges/segment)
Version 3.0

1. Background

BCB Brokerage Private Limited (BBPL) is registered with the Securities and Exchange Board of India (SEBI) as:

1. Stock Broker (SEBI Registration Number INZ000200633)
2. Merchant Banker (SEBI Registration Number INM000012078)
3. Depository Participant (SEBI Registration Number IN-DP-CDSL-05-99)

Its current activities include Stock Broking self-clearing trades through Indian Clearing Corporation Limited (ICCL), Depository Participant, Mutual Fund distribution and Merchant Banking.

As per the requirements listed in SEBI Circular ref. CIR/MIRSD/5/2013 dated 27-Aug-2013 and other regulatory requirements from time to time, BBPL has to adhere to guidelines for avoiding or dealing with or managing conflict of interest, and also educate their associated persons for compliance of these guidelines.

Principle 8 listed under “A. Principles Relating to the Regulator” in the “Objectives and Principles of Securities Regulation” issued by International Organization of Securities Commissions (IOSCO) version May 2017 is reproduced as under:

“8 The Regulator should seek to ensure that conflicts of interest and misalignment of incentives are avoided, eliminated, disclosed or otherwise managed.”

Based on the above circular and in observations made in the Final Report on “Guidelines for the Regulation of Conflicts of Interest Facing Market Intermediaries” dated November 2010 issued by the Emerging Markets Committee of the International Organization of Securities Commissions (the IOSCO 2010 Report), BBPL has formulated and implemented this conflict of interest policy.

2. Definition of Conflict of Interest

The IOSCO 2010 Report contents pertaining to Definition of Conflicts of Interest is reproduced as below:

“The term conflict of interest is widely used in commercial and legal transactions and is acknowledged in the codes of ethics of various professional bodies, to identify behavior that is unacceptable. Despite international usage of the term, there is no universally accepted definition of conflicts of interest. To further accentuate the problem, the globalization of the world’s financial markets has led to different definitions and regulations of what constitutes a conflict in different jurisdictions. Conflicts of interest are normally attributed to imperfections in the financial markets and asymmetric information.

Previous work by IOSCO has dealt in regulating conflicts of interest in various areas of the capital market but has not provided a general definition of what constitutes a conflict of

interest. Similarly the European Union (EU) has established a number of rules regarding situations where a conflict of interest arises in the capital markets but has so far abstained from a general definition. Not all conflicts of interest create market failures i.e. where the transacting parties are unable to find appropriate contractual solutions themselves, hence only those conflicts that can result in market failure should be addressed. Most jurisdictions surveyed responded that they did not have a legal definition of what constitutes a conflict of interest in place, but for the sake of this report a conflict of interest is said to arise when the interests of particular firms and investors are pursued at the expense of other firms and investors.”

The Report further classifies conflicts of interest into three categories, viz.

1. Firm/Client Conflicts – Where conflicts take place between a firm’s own economic interests and the interests of its clients, usually reflected in the extraction of rents or mispriced transfer of risk.
2. Client/Client Conflicts – Where conflicts are present between a firm’s clients or types of clients, which place the firm in a position of favoring one client at the expense of another
3. Intra Group Conflicts – Where there is incompatibility, incongruence, or disagreement between members, business units or departments of an intermediary or between subsidiaries or branches of an internationally active financial group across jurisdictions regarding their goals, functions or activities.

3. Policy of BBPL to handle conflict

In consideration of the above, BBPL shall have the following policy to handle potential conflicts of interests:

i. The Board of Directors of BBPL have laid down the following policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest and developed an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities. These policies, procedures and code have been communicated to all concerned by placing on the website.

The following four mechanisms will be implemented to handle the conflict:

- Disclosure of Conflicts – In situations where a conflict arises within BBPL and BBPL is unable to ensure fair treatment towards the client, disclosure of the conflict should be made mandatory in order to allow the client to make an informed decision
- Information Barriers - Information barriers will be used in BBPL to block or hinder the flow of information from one department to another
- Limitation/Prohibition of Business Conduct - When a conflict arises and BBPL feels that it cannot be dealt with even after disclosure of the conflict to the client, BBPL will refrain from acting, therefore protecting its customer from issues created by the conflict.
- Self Control and Firm’s Internal Conflict of Interest Management – The members of the Board of Directors can be approached to deal with identifying and addressing particular cases of conflicts of interest.

4. Examples of conflict of interest:

Some common examples of potential conflict of interest as provided in the IOSCO 2010 Report is listed below for reference:

A. Conflicts between Brokerage and Dealing:

A.1 Churning

A.2 Front Running

A.3 Unfair Practices in Analysis, Report Preparation and Distribution

A.4 Conflicts between Clients in Order Aggregation and Allocation of Securities

B. Conflicts of Interest That May Arise Between Corporate Finance Services and Other Securities/Business Services

B.1. Pricing (Underpricing/Overpricing)

B.2. Preferential Allocation of Securities to More Profitable Clients

B.3. Advising Multiple Bidders in a Transaction

B.4. Advising the Seller and a Potential Buyer in the Same Transaction

B.5. Exaggerated Investment Solicitation or Sales of Securities Underwritten by the Intermediary

B.6. Publishing Favorable Analysis Reports

B.7. Using Non Public Insider Information Obtained in the Process of Underwriting Securities

C. Conflicts of Interests That May Arise Between Asset Management Services(AMS) and Other Securities Businesses/Services

C.1. AMS Operation and Proprietary Trading

C.2. AMS operation/Sales of CIS Interests Vs Brokerage

C.3. AMS operation Vs Corporate Finance Services

5. Other policy declarations:

- BBPL will at all times maintain high standards of integrity in the conduct of their business;
- BBPL will ensure fair treatment of their clients and not discriminate amongst them;
- BBPL will ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
- BBPL make appropriate disclosure to the clients, if any, of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services
- BBPL will 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. as and where found suitable
- BBPL will place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- BBPL will not deal in securities while in possession of material non published information
- BBPL will not to communicate the material non published information while dealing in securities on behalf of others;

- BBPL will not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- BBPL will not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
- BBPL will not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

Sd/-

Uttam Bagri

Director DIN 01379841

BCB Brokerage Private Limited

The above revised policy was approved by BCB Brokerage Private Limited at the Board meeting held on 30-Sep-2021. The policy will be reviewed on an annual basis.