



## **Internal Policy & Control Procedure in terms of SEBI (Research Analysts) Regulations, 2014**

### **Preamble :**

SEBI vide its Notification No. LAD-NRO/GN/2014-15/07/1414 dated 1<sup>st</sup> September, 2014 has notified SEBI (Research Analysts) Regulations, 2014 which shall be effective on/after expiry of 29<sup>th</sup> November, 2014 (Ninetieth day from the date of their publication if official gazette). This 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, Investment Adviser, Credit Rating Agency, Asset Management Company or Fund Managers of a Mutual Fund or Alternative Investment Fund or Venture Capital Fund or Portfolio Manager, issuing research report or circulating / distributing research report to public or directors / employees making public appearance are exempted from seeking separate registration as Research Analysts from SEBI subject to Compliance of Chapter III of the said Regulations which provides for formulation and adoption of written Internal Policy and Control procedure for Research Analysts / Research Entities.

KIFS Trade Capital Pvt. Ltd. (hereinafter referred to as 'KIFS') being a SEBI registered Portfolio Manager (SEBI Regn. No. : INP000002379) is required to adopt and adhere such policies and procedure.

### **1- Applicability :**

The policy shall be applicable to all employees of KIFS engaged in Research Department as a Research analyst 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 to be listed in a Stock Exchange whether or not such person has the job title of 'Research Analyst'. It also includes an associated person who reports directly or indirectly to a research analyst(s).



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**2- Definitions :** Various terms shall have the following definitions and the other terms shall have the same meaning assigned to them in the captioned SEBI Regulations.

- (a) “Fund Manager” includes fund managers of a mutual fund or alternative investment fund or Venture Capital Fund or Portfolio Manager
- (b) “Merchant Banking or Investment Banking or Brokerage Services” includes :-
  - i. Acting as an underwriter
  - ii. Participating in a selling or an offering for the issuer or otherwise acting in furtherance of a public offer of the issuer
  - iii. Acting as an adviser in a merger or acquisition
  - iv. Providing or arranging Venture Capital or Equity or Debt\
  - v. Serving as placement agent for the issuer or otherwise acting in furtherance of a private offering of the issuer
  - vi. Offering Brokerage or Market Making Services
- (c) “Price Target” means expectations of research analyst on the future performance of specific securities.
- (d) “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.
- (e) “Public Offer” includes initial public offer, further public offer, offer for sale, disinvestment, takeover, buy-back or delisting of securities.
- (f) “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.
- (g) “Research Analyst” means an Employee of “KIFS” who is primarily responsible for:



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- i. Preparation or publication of the content of the research report or
  - ii. Providing research report or
  - iii. Making 'buy/sell/hold' recommendation or
  - iv. Giving price target or
  - v. 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.
- (h) "Research Entity" means KIFS or any other intermediary registered with SEBI who is / shall 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.
- (i) "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 :-
- i. Comments on general trends in the securities market
  - ii. Discussions on the broad based indices
  - iii. Commentaries on economic, political or market conditions
  - iv. Periodic reports or other communications prepared for unit holders of mutual fund or alternative investment fund or clients of portfolio managers and investment advisers
  - v. Internal communications that are not given to current or prospective clients
  - vi. Communications that constitute offer documents or prospectus that are circulated as per regulations made by the Board
  - vii. Statistical summaries of financial data of the companies
  - viii. Technical analysis relating to the demand and supply in a sector or index
  - ix. Any other communication which the Board may specify from time to time



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- (j) 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, as specified in the internal policies and procedure of the research analyst or research entity
- (k) “Subject Company” means the company whose securities are the subject of a research report or a public appearance.
- (l) “Senior Management” shall mean and include Board of Directors of KIFS and the persons one level below them and shall include Compliance Officer of KIFS-PMS Department for the time being.
- (m) “Third Party Research Report” means a research report produced by a person or entity **other than** Research Analysts of KIFS or by KIFS itself.

### **3- Management of Conflict of Interest and Disclosure Requirements :**

KIFS and its Research Analysts shall maintain arms-length relationship between its research activity and other activities.

#### **[a] Limitations on trading by research analysts:**

- (i) Personal trading activities of the individuals employed as research analysts shall be monitored, recorded and wherever necessary, shall be subject to a formal approval process like approval from Compliance Officer of KIFS- PMS Department;
- (ii) Research Analysts employed by KIFS or their associates shall not (a) deal / trade in securities recommended / followed by the research analyst within 30 days before and five days after the publication of a research report; (b) deal / trade in securities that the research analyst reviews in a manner contrary to his given recommendation; (c) 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.
- (iii) However, the above restrictions to trade/ deal 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, subject to prior written approval from Compliance Officer of KIFS – PMS Department.
- (iv) Further, all the research analysts shall always adhered to the Conflict of Interest Policy of the Company, developed and implemented by the company pursuant to SEBI Circular dated 27/08/2013. For the sake of brevity of this policy the same is not narrated herein, however, this



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policy shall be read, understood and complied by all Research Analysts in conjunction with the said Conflict of Interest Policy as may be prevalent from time to time.

**[b] Compensation of Research Analysts:**

- (i) The Research Analysts in the employment of KIFS shall not be entitled to any bonus, salary or other form of compensation that is based on specific brokerage services transactions.
- (ii) Further, compensation of all research analysts shall be reviewed, documented and approved annually by Committee of Board of Directors of KIFS. First such review shall be carried out on/before 31.03.2015.
- (iii) Such Research Analysts shall perform his/her/their duties independently and shall not be under supervision /control of any employee of brokerage services division of KIFS.

**[c] Limitation on Publication of Research Report, Public Appearance, Conduct of Business etc.**

- (i) KIFS and/or its Research Analysts shall not publish or distribute research reports / analysis or make public appearance regarding a subject company for which KIFS has acted as a Manager / Co-Manager / Underwriter within a prescribed time period (i.e. 40 days immediately following the day on which securities are priced in case of IPO or 10 days immediately following the day on which securities are priced in case of FPO), unless a prior written approval has been obtained from Compliance Officer of KIFS – PMS department.
- (ii) In case if KIFS is acting as an underwriter of any IPO/ FPO, it shall not publish or distribute a research report or make public appearance regarding that issuer for 25 days from the 1<sup>st</sup> date of public offering of the securities.
- (iii) In case if KIFS is acting as a Manager or Co-manager of any IPO / FPO, it shall not publish or distribute a research report or make public appearance regarding that issuer within 15 days prior to date of entering into and 15 days after expiration / waiver / termination of a lock-up agreement or such other agreement, unless prior written approval is obtained from Compliance Officer.
- (iv) The Research Report issued by Research Analysts of KIFS shall be based on adequate documentary research evidence.
- (v) KIFS and/or its Research Analysts shall not provide any promise or assurance of favorable review in research report to the Company or Industry as a consideration to commence or influence a business relationship of for the receipt of compensation or other benefits.
- (vi) KIFS shall ensure that its Research Analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of research report.
- (vii) Research Analysts shall not (a) engage directly / indirectly in any communication with a current or prospective client in the presence of personnel from brokerage service divisions or Company Management; (b) engage in sales or marketing related activities related to Brokerage Service



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divisions nor engage in any communication with a current or prospective client about transactions of such Brokerage Service Division; (c) make any promise or assurance of favorable review in its research report to a company or industry or sector or group of companies or business group as consideration to commence or influence a business relationship or for the receipt of compensation or other benefits; (d) participate in business activities designed to solicit investment banking or merchant banking or brokerage services business such as sales pitches and deal road shows

(viii) Research Analysts shall have adequate documentary basis, supported by research, for preparing a research report.

#### **[d] Disclosures in Research Report**

Research Analysts of KIFS who are engaged in research activity and preparing research report shall disclose all material information about himself or KIFS including the following in its research reports :

- i. Business Activity
- ii. Disciplinary History
- iii. Terms and conditions on which it offers research report
- iv. Details of Associates
- v. Details with respect to Ownership and Material Conflict of Interest such as :
  - (a) whether KIFS or any Research Analysts or its/his associate or relatives has any Financial interest in the subject company, if yes, together with nature of such financial interest
  - (b) Whether KIFS or any Research Analysts or its/his associate or relatives have actual / beneficial ownership of 1 % or more securities of subject company at the end of the month immediately preceding the date of publication of research report or date of public appearance, as the case may be.
  - (c) Details of actual / beneficial ownership of one percent or more securities of the subject company, at the end of month immediately preceding the date of publication the research report or date of public appearance
  - (d) Details of any material conflict of interest at the time of publication of research report or at the time of public appearance
  - (e) Details of any compensation received by KIFS or Research Analysts or its/his/her/their associates from the subject company in past 12 months
  - (f) Details of whether KIFS or its associates have managed or co-managed the public offering of subject company in past 12 months
  - (g) Details of whether KIFS or its associates have received any compensation for investment banking or merchant banking of brokerage services from the subject company in past 12 months
  - (h) Details of whether KIFS or its associates have received any compensation for products or services other than above from the subject company in past 12 months



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- (i) Details of any compensation or other benefits received by KIFS or Research Analysts or its/his/her/their associates from the subject company or 3<sup>rd</sup> party in connection with the research report
- vi. KIFS and / or its Research Analysts shall disclose in public appearance with regard to receipt of compensation (a) whether KIFS or Research Analysts or its/his/her/their associates have received any compensation from the subject company in past 12 months (b) whether the subject company is / was client of KIFS during 12 months preceding the date of distribution of research report and the types of such services provided by KIFS.
- vii. Whether the Research Analysts has served as an officer, director or employee of the subject company
- viii. Whether KIFS or its Research Analysts has been engaged in market making activity of the subject company
- ix. Such other disclosures in research reports / public appearance as specified by SEBI under any other regulations
- x. Such Research Reports reflects the factual information about the subject company and are based on reliable information. Such reports also contain the definition of terms which are used in making recommendations and such terms have been used consistently.
- xi. If such Research Reports contain either a rating or price target for atleast 1 year, the same shall also provide for the graph of daily closing price of such securities for the period assigned or for a 3 year period, which ever is shorter.
- xii. Such Research Report Shall not be issued selectively to internal trading personnel or to a particular client or group of other clients in advance of other clients who are entitled to receive the research report.
- xiii. In case of distribution of any 3<sup>rd</sup> party research report, Research Analysts of KIFS shall review such 3<sup>rd</sup> party report for any untrue statement of material fact or any false or misleading information, provided that KIFS or its Research Analysts do not have any direct / indirect business or contractual relationship with such 3<sup>rd</sup> party research provider.
- xiv. In case, any Research Analysts or Director or employee of KIFS appears in public media and make any recommendation, the disclosure of his / its name, registration status and details of financial interest shall invariably made at the time of making such recommendation or offering any opinion in his personal capacity, responding to any queries of audience or journalists in personal capacity and communicating the research report or its substance through public media.

#### **4- Other conditions:**

- (i) Research Analysts of KIFS 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 i.e. on/before 29/11/2017.



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- (ii) KIFS and its Research Analysts shall maintain and preserve following records for a minimum period of 5 years:
- Research Report duly signed and dated
  - Research recommendation provided
  - Rationale for arriving at research recommendation
  - Record of public appearance
- (iii) Research Analysts shall forthwith inform the KIFS in writing about any information or particulars about him/her/them submitted to KIFS which are found to be false or misleading in any material particular or is there is any change in information already submitted.
- (iv) The Compliance Officer of KIFS – PMS Department shall monitor and comply in this regard.
- (v) KIFS shall conduct annual audit in respect of compliance with the captioned SEBI Regulations from member of ICAI or ICSI.

Note : This policy has been considered, implemented and circulated by KIFS as per Board Resolution passed in the meeting of Board of Directors of erstwhile KIFS Securities P. Ltd. (now KIFS Trade Capital P. Ltd. ) held on 29/11/2014.



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