



CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The **SEBI (Prohibition of Insider Trading) Regulations, 1992**, provides guidelines and a **Code of Conduct for Prevention of Insider Trading** to ensure that market participants do not misuse "Price Sensitive Information" (PSI) for trading purposes. These guidelines aim to prevent insider trading, protect the integrity of the securities market, and ensure fairness among investors. Here's a description of the key components of the **Code of Conduct for Prevention of Insider Trading** as outlined by SEBI:

Compliance Officer

Kalpalabdhi Financials Private Limited (herein referred as **KLFS**) has appointed a Compliance Officer who reports directly to the Board of Directors.

The Compliance Officer is responsible for establishing policies and procedures to monitor adherence to the rules for preserving "Price Sensitive Information" (PSI), monitoring trades, and implementing the Code of Conduct under the overall supervision of the partners/proprietors.

The Compliance Officer shall assist employees, directors, and partners in addressing any clarifications regarding the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the organization's Code of Conduct.

The Compliance Officer shall maintain a record of designated employees and track any changes made to the list.

Client Company

In the context of insider trading for stock brokers in India, a "client company" is one whose shares are traded by KLFS on behalf of their clients. Given their professional relationship, KLFS may access non-public, material information about the company.

Preservation of Price Sensitive Information (PSI)

Employees, directors, and partners must maintain the confidentiality of all PSI. They must not pass on such information, either directly or indirectly, by recommending the purchase or sale of securities.

Need-to-Know Basis

PSI must be handled on a "need-to-know" basis. This means PSI should only be disclosed to individuals within the organization who require the information to perform their duties and whose possession of such information will not create a conflict of interest or the appearance of misuse.

Limited Access to Confidential Information

Files containing confidential information should be secured. Computer files must have adequate security measures, such as login credentials and passwords.



Chinese Wall Policy

To prevent the misuse of confidential information, KLFS has implemented a "Chinese Wall" policy, which separates areas that have access to confidential information (referred to as "inside areas") from departments involved in sales, marketing, investment advice, or other support services (referred to as "public areas").

Separation of Inside and Public Areas

KLFS has decided to physically and operationally separate the dealing room from the back office and the DP (Depository Participant) department.

Employees in inside areas shall not communicate PSI to anyone in public areas.

Employees in inside areas shall be physically segregated from employees in public areas.

The demarcation of departments as inside or public areas has been implemented by KLFS, ensuring dealing rooms are separated from back office and DP departments.

In exceptional cases, employees from public areas may be temporarily given access to confidential information based on the "need-to-know" principle, with prior intimation to the Compliance Officer.

Prevention of Misuse of Price Sensitive Information

Employees, directors, and partners shall not use PSI to buy or sell securities for their own account, their relatives' accounts, the organization/firm's account, or a client's account.

Pre-Clearance of Trades

All directors, officers, and designated employees of KLFS must pre-clear any transactions in securities of the client company according to the pre-dealing procedure outlined below.

An application for pre-clearance must be submitted to the Compliance Officer in the prescribed form, providing details such as the name, estimated number of securities, depository details, and other required information.

The designated employee/director/partner shall execute an undertaking incorporating the following clauses (as applicable):

1. The employee/director/partner does not have access to or has not received any PSI as of the time of signing the undertaking.
2. If PSI is accessed or received after signing the undertaking but before executing the transaction, the employee/director/partner must inform the Compliance Officer of the change in position and refrain from dealing in the securities of the client company until the information becomes public.
3. The employee/director/partner has not contravened the Code of Conduct for Prevention of Insider Trading.
4. The employee/director/partner has made full and true disclosure.



Restricted/Grey List

KLFS will restrict trading in the securities of companies that are its clients to monitor Chinese Wall procedures and avoid trading on inside information.

Securities of a listed company shall be placed on the restricted/grey list if KLFS is handling any assignment for that company, including preparing appraisal reports or handling credit ratings, and is privy to PSI.

Securities being purchased or sold or considered for purchase or sale by KLFS on behalf of its clients, mutual fund schemes, etc., will be placed on the restricted/grey list.

The restricted list is highly confidential and shall not be disclosed outside the organization. It will be maintained by the Compliance Officer.

When securities are on the restricted list, trading in these securities by designated employees, directors, or partners may be blocked or disallowed during pre-clearance.

Other Restrictions

All directors, officers, and designated employees/partners must execute their orders within one week after receiving pre-clearance. If not executed within that time frame, the transaction must be pre-cleared again.

Directors, officers, and designated employees/partners must hold their investments for a minimum period of 30 days for them to be considered for investment purposes.

This holding period also applies to purchases in the primary market (IPOs). In the case of IPOs, the holding period will start once the securities are allotted.

In the event of a personal emergency, the Compliance Officer may waive the holding period after recording the reasons in writing.

Analysts employed by KLFS, when preparing research reports for client companies, must disclose their shareholdings or interests in such companies to the Compliance Officer.

Analysts preparing research reports on listed companies are prohibited from trading in those companies' securities for 30 days after the report is prepared.

Penalty for Contravention of the Code of Conduct

Any employee, partner, or director who trades in securities or communicates any information, or counsels someone on trading, in contravention of this Code of Conduct, may face penalties and other disciplinary actions from KLFS.

8.2 Violations may result in disciplinary action by KLFS, which could include wage freeze, suspension, etc.



8.3 The action taken by KLFS does not preclude SEBI from taking its own actions in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Reporting to SEBI in Case of Violation of SEBI Regulations

If KLFS or the Compliance Officer observes a violation of SEBI (Prohibition of Insider Trading) Regulations, 1992, it shall inform SEBI promptly.

Relaxation of Policy

the Compliance Officer may relax any of the requirements specified in this Policy under exceptional circumstances.