

**NANGALIA STOCK BROKING PRIVATE LIMITED**  
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**SEBI Registration No:**  
| BSE CM: INB011046936 | BSE F & O: INF011046936 |

## **INTERNAL CONTROL FOR INSIDER TRADING**

### **1. Introduction**

Nangalia Stock Broking Private Limited (hereinafter referred to as the 'Company') was incorporated under Companies Act, 1956 as a Company and is Securities Exchange Board of India (SEBI) registered broker of the Bombay Stock Exchange (BSE).

### **MODEL CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR OTHER ENTITIES (ENTITIES OTHER THAN LISTED ENTITIES)**

#### **1.0 Compliance Officer**

**1.1** The organization/firm has a Compliance Officer (senior level employee) reporting to the Managing Partner/Chief Executive Officer.

**1.2** The Compliance Officer shall be responsible for setting forth policies and procedures and monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing of all designated employees and their dependents trades (directly or through respective department heads as decided by the organization/firm), monitoring of trades and the implementation of the code of conduct under the overall supervision of the partners/proprietors.

**1.3** The Compliance Officer shall also assist all the employees/directors/partners in addressing any clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and the organization/firm's code of conduct.

**1.4** The Compliance Officer shall maintain a record of the designated employees and any changes made in the list of designated employees.

#### **2.0 Preservation of "Price Sensitive Information"**

**2.1** Employees/directors/partners shall maintain the confidentiality of all Price Sensitive Information. Employees/directors/partners must not pass on such information directly or indirectly by way of making a recommendation for the purchase 55[or] sale of securities.

##### **2.2 Need to know**

**2.2-1** Price Sensitive Information is to be handled on a "need to know" basis, *i.e.*, Price Sensitive Information should be disclosed only to those within the organization/firm who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of the information.

##### **2.3 Limited access to confidential information**

**2.3-1** Files containing confidential information shall be kept secure. Computer files must have adequate security of login and password etc.

##### **2.4 Chinese Wall**

**2.4-1** To prevent the misuse of confidential information the organization/firm shall adopt a "Chinese Wall" policy which separates those areas of the organization/firm which routinely have access to confidential information, considered "inside areas" from those areas which deal with sale/marketing/investment advise or other departments providing support services, considered "public areas".

**2.4-2** The employees in the inside area shall not communicate any Price Sensitive Information to any one in public area.

**2.4-3** The employees in inside area may be physically segregated from employees in public area.

**2.4-4** Demarcation of the various departments as inside area may be implemented by the organization/firm.

**2.4-5** In exceptional circumstances employees from the public areas may be brought “over the wall” and given confidential information on the basis of “need to know” criteria, under intimation to the compliance officer.

### **3.0 Prevention of misuse of Price Sensitive Information**

**3.1** Employees/directors/partners shall not use Price Sensitive Information to buy or sell securities of any sort, whether for their own account, their relative’s account, organization/firm’s account or a client’s account. The following trading restrictions shall apply for trading in securities.

#### **3.2 Pre-clearance of trades**

**3.2-1** All directors/officers/designated employees of the organization/firm who intend to deal in the securities of the client company (above a minimum threshold limit to be determined by the organization/firm) shall pre-clear the transactions as per the predealing procedure as described hereunder.

**3.2-2** An application may be made in such form as the organization/firm may specify in 56[this] regard, to the Compliance Officer indicating the name and estimated number of securities that the designated employees/director/partner intends to deal in, the details as to the depository with which he has a security account the details as to the securities in such depository mode and such other details as may be required by any rule made by the organization/firm in this behalf.

**3.2-3** An undertaking shall be executed in favor of the organization/firm by such designated employee/partners/directors incorporating, *inter alia*, the following clauses, as may be applicable:

(i) That the designated employee/director/partner does not have any access or has not received any “Price Sensitive Information” upto the time of signing the undertaking.

(ii) That in case the designated employee/director/partner has access to or receives “Price Sensitive Information” after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.

(iii) That he/she has not contravened the code of conduct for prevention of insider trading as specified by the organization/firm from time to time.

(iv) That he/she has made a full and true disclosure in the matter.

### **4.0 Restricted/Grey list**

**4.1** In order to monitor chinese wall procedures and trading in client securities based on inside information, the organization/firm shall restrict trading in certain securities and designate such list as restricted/grey list.

**4.2** Security of a listed company shall be put on the restricted/grey list if the organization/firm is handling any assignment for the listed company or is preparing appraisal report or is handling credit rating assignment and is privy to Price Sensitive Information.

**4.3** Any security which is being purchased or sold or is being considered for purchase or sale by the organization/firm on behalf of its clients/schemes of mutual funds, etc. shall be put on the restricted/grey list.

**4.4** As the restricted list itself is highly confidential information it shall not be communicated directly, or indirectly to anyone outside the organization/firm. The Restricted List shall be maintained by Compliance Officer.

**4.5** When any securities are on the Restricted List-trading in these securities by designated employees/directors/partners may 57[be] blocked or may be disallowed at the time of pre-clearance.

## **5.0 Other restrictions**

**5.1** All directors/designated employees/partners shall execute their order within one week after the approval of pre-clearance is given. If the order is not executed within one week after approval is given the employee/director/partners must 58[pre] clear the transaction again. **5.2** All directors/officers/designated employees/partners shall hold their investments for a minimum period of 30 days in order to be considered as being held for investment purposes.

**5.3** The holding period shall also apply to purchases in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.

**5.4** In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the Compliance Officer after recording in writing his/her reasons in this regard.

**5.5** Analysts, if any, employed with the organization/firm while preparing research reports of a client company(s) shall disclose their shareholdings/interest in such company(s) to the Compliance Officer.

**5.6** Analysts who prepare research report of a listed company shall not trade in securities of that company for thirty days from preparation of such report.

## **6.0 Reporting Requirements for transactions in securities**

**6.1** All directors/designated employees/partners of the organization/firm shall be required to forward following details of their securities transactions including the statement of dependent family members (as defined by the organization/firm) to the Compliance Officer:—

(a) all holdings in securities by directors/officers/designated employees/partners at the time of joining the organization;

(b) periodic statement of any transactions in securities (the periodicity of reporting may be defined by the firm or organization. The organization/firm may also be free to decide whether reporting is required for trades where pre-clearance is also required;

(c) annual statement of all holdings in securities.

**6.2** The Compliance Officer shall maintain records of all the declarations given by the directors/designated employees/partners in the appropriate form for a minimum period of three years.

**6.3** The Compliance Officer shall place before the Chief Executive Officer/Partner or a committee notified by the organization/firm, on a monthly basis all the details of the dealing in the securities by designated employees/directors/partners of the organization/firm and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

## **7.0 Penalty for contravention of code of conduct**

**7.1** Any employee/partner/director who trades in securities or communicates any information or counsels any person trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the organization/firm.

**7.2** Employees/partners/directors of the organization/firm who violate the code of conduct may also be subject to disciplinary action by the company, which may include wage freeze, suspension, etc.

**7.3** The action by the organization/firm shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

## **8.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations**

**8.1** In case it is observed by the organization/firm/compliance officer that there has been a violation of these Regulations, SEBI shall be informed by the organization/firm.

## **9.0 Listed intermediaries to comply with both Parts A and B of Schedule I**

**9.1** The intermediaries such as credit rating agencies, Asset Management Companies, or broking companies etc. whose securities are listed in recognised stock exchange shall comply with both Part A and Part B of this Schedule in respect of its own securities and client's securities.