

Formerly known as o3 Securities Private Limited

BugleRock

BugleRock Capital Private Limited
(Stock Broking & Depository Services)

POLICY ON DEALING WITH CONFLICT OF INTEREST

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1 PREAMBLE

Securities and Exchange Board of India (SEBI) in its Circular No. CIR/MIRSD/5/2013 dated August 27, 2013 has prescribed the guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market. All intermediaries, recognised stock exchanges, recognised clearing corporations and depositories (hereinafter collectively referred to as "such entities") are presently governed by the provisions for avoidance of conflict of interest as mandated in the respective regulations read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover such entities and their associated persons, for elimination of their conflict of interest.

BugleRock Capital Private Limited (hereinafter referred to as BugleRock Capital Private Limited or "the Company") is a company registered under the provisions of the Companies Act 1956 and is a SEBI registered Stock Broker having SEBI REGISTRATION NO.: INZ000291332, Member of BSE Limited (CM) and National Stock Exchange of India Limited (CM, F&O); a Depository Participant (CDSL): IN-DP-533-2010 and a SEBI registered Portfolio Manager: INP000005430

2 PURPOSE

The purpose of this policy is to adopt and ensure the implementation of best industry practices in synchronization with the guidelines prescribed by the Securities and Exchange Board of India in connection with avoiding or managing conflict of interest which may arise during the course of our Business, with an intention of offering seamless and high-quality service to the clients. The contents of this policy shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by SEBI from time to time regarding dealing with conflict of interest and already covered in the policies in force by BugleRock Capital Private Limited such as Staff Dealing Rules, Code of Conduct etc.

3 APPLICABILITY

This policy shall apply to the whole organization and all its employees.

4 DEFINITIONS

1. **“associated person”** means a principal or employee of an intermediary or agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India;
2. **“agent”** means any person who is engaged in the activity of sale or distribution of securities on behalf of an issuer or a distributor for a commission or any other consideration;
3. **“intermediary”** means an entity registered under sections 11 or 12 of the Securities and Exchange Board of India Act, 1992 and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization;
4. **“principal”** means persons who are actively engaged in the management of the intermediary's securities business including supervision, solicitation, conduct of business, and includes Whole Time Directors.
5. **“securities”** means securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

5 CODE OF CONDUCT FOR AVOIDING CONFLICT OF INTEREST

It is expected that the employees shall:

- I. at all times maintain high standards of integrity in the conduct of their business.
- II. ensure fair treatment of their clients and not discriminate amongst them.
- III. ensure that personal interest does not, at any time conflict with their duty to the clients and client's interest always takes primacy in the advice, investment decisions and transactions.

- IV. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services.
- V. 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.
- VI. 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.
- VII. not deal in securities pertaining to the client while in possession of material non published information.
- VIII. not to communicate the material non published information while dealing in securities pertaining to the client on behalf of others.
- IX. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities.
- X. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients.
- XI. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest.

6. SITUATIONS INVOLVING CONFLICT OF INTEREST

The term “**conflict of interest**” is widely used to identify situations where pecuniary or other competing interest prevent a party from acting in a certain manner, which would otherwise be legally or ethically appropriate; however, there is no universally accepted definition for the same. A conflict-of-interest situation can generally be understood as a situation where the multifaceted interest of an individual are in inter se conflict.

In the context of market intermediaries, such conflicts are augmented by the vast and diversified client base, endless product innovations, undisclosed and complex market mechanics, and simultaneous operations in multiple intermediary services. The various situations involving conflict of interest that are

witnessed in the context of securities market intermediaries, particularly in India, can be broadly classified as:

1. PROPRIETARY V/S CLIENT

This category of conflicts of interest can be explained as follows:

- (i) Dealing in securities on proprietary account versus client account:** While the intermediary undertakes trade for its clients' account on its client's behalf for certain commissions, dealings on proprietary account comprise of sale and purchase of securities for the intermediary's own account. When these dealings are undertaken concurrently by an intermediary, the probability of the latter outweighing the former is very high. Front-running, a type of proprietary versus client conflict arises when a stock broker undertakes proprietary trade based on the knowledge of pending orders from its client.
- (ii) Use of commission for proprietary trades:** Intermediaries may give advice to their clients that is contrary to what the real circumstances demand, and then use the funds earned by commission to trade as per the real market conditions on the proprietary account. This conflict is more prevalent when the intermediary is operating in different capacities; for instance, as a market analyst and investment advisor for the client and also as a stock broker undertaking proprietary trades.
- (iii) Circular trading:** Circular trading involves the buying/selling of certain scrips inter se the intermediary and its group entities or other intermediaries to create artificial volume in the scrip, thus causing an increase in the price of the scrip.

2. CLIENT V/S CLIENT

- (i) HNI clients v/s. small retail clients:** An intermediary may show preference to its bigger HNI clients who regularly undertake large trades and generate more revenue/commission for the entity over smaller or individual investors.

- (ii) **Front-running:** As discussed earlier, front-running may be applied by an intermediary to benefit a favored client based on the orders placed by another not-so-favored client.

3. INTERNAL CONFLICTS

This category involves intra-intermediary conflicts, such as in the case of an intermediary having group operations. What is in the best interest of the group may not be in the best interest of a specific branch or subsidiary. In such a situation, decisions are usually taken factoring the overall interest of the group, resulting in losses to the branch/subsidiary concerned and its related clients. This conflict has become more rampant with the increasing percentage of corporate intermediaries.

Similarly, when intermediaries under common ownership deal in diverse categories of intermediary services, what is profitable for one service may be detrimental to another.

4. MULTIPLE SERVICES

This category includes the conflicts inherent in the practice of multiple intermediary services by the same intermediary (or intermediaries under common ownership). For instance, when two intermediaries are under the same management, with one providing analyst, broking and advisory services and the other underwriting an issue, the analyst's report and investment advice is likely to be prejudiced and biased in favour of the underwritten issue.

Similarly, the common owner may use the insider information procured during the underwriting process by one of its concerns for subsequent trading in those shares, either on its own account or on behalf of clients through another concern.

Another example of this conflict category is where a merchant banker rolls out a public issue and recommends investor subscription to this issue in the capacity of an investment advisor, regardless of the actual health of the issue and without comprehensively mentioning the risk factors.

The variety of services rendered by an intermediary is directly correlated with the situations involving conflicts of interest; i.e., with the increase in such services, the probability and likelihood of conflicts of interest also rise.

7. PROCESSES AND INTERNAL CONTROLS

To adequately manage conflicts of interest we must identify all relevant conflicts timeously. In determining whether there is or may be a conflict of interest to which the policy applies, BugleRock Capital Private Limited considers whether there is a material risk of damage to the client, taking into account whether BugleRock Capital Private Limited or its representative, associate, or employee or any relative of employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client.
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinctly different from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interest of the client;
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

Our policy defines possible conflicts of interest as, inter alia:

- conflicts of interest between BugleRock Capital Private Limited and the client.
- conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client;
- holding confidential information on clients which, if we would disclose or used, would affect the advice or services provided to clients.

All employees are responsible for identifying specific instances of conflict and are required to notify the same to the Compliance Officer and Head of Department of any conflict they become aware of.

8. MEASUREMENT FOR AVOIDANCE AND MITIGATION OF CONFLICT OF INTEREST

- I. Create awareness and knowledge of applicable stipulations of the General Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material.
- II. Ensure understanding and adoption of conflict-of-interest policy and management measures by all employees, representatives and associates.
- III. Disclosure of interest by the concerned Analyst in the stock which is covered and by relevant Sales Personnel.
- IV. Regular inspections on all commissions, remuneration, fees and financial interest proposed or received in order to avoid non-compliance.
- V. Keep a register of conflict of interest.
- VI. Once a conflict of interest has been identified it needs to be appropriately and adequately managed.
- VII. The Whole Time Director and Compliance Officer in consultation with Business / Department Heads will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational and compliance risk.
- VIII. As soon as the conflict is identified, the employee shall refrain himself/herself from taking any decision on the assignment until the conflict has been resolved. In some cases, it will be necessary for the employee to excuse themselves from any work on the assignment.
- IX. Where a conflict is declared the Compliance Officer and Head of Department will take such action as they deem fit to both declare and resolve the conflict. This may (and probably will) involve communication with the other parties in the assignment.
- X. All discussions and decisions shall be regarded as records and shall be appropriately retained.
- XI. All possible or actual conflicts of interest shall be investigated thoroughly, quickly, impartially and all relevant parties shall be intimated of the outcome.
- XII. Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interest, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. In all cases, where appropriate and where determinable, the

monetary value of non-cash inducements will be disclosed to clients.

- XIII. We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

9. MISCELLANEOUS

This policy will be reviewed annually and shall be updated as and when needed to keep the same in line with the applicable rules and regulations. The Compliance Officer shall monitor this Policy as part of his/her general monitoring duties and report thereon to the Board of Directors of the Company.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance. Disciplinary actions shall be taken against employees who fail to comply with this policy.

This policy shall be reviewed annually and updated as and when required.
