



## **Code of Ethics for directors and key management personnel of stock exchanges or clearing corporations:**

The 'Code of Ethics' for directors and key management personnel of the recognised stock exchanges or recognised clearing corporations, is aimed at improving the professional and ethical standards in the functioning of recognised stock exchanges or recognised clearing corporations thereby creating better investor confidence in the integrity of the market.

### **i. Objectives and underlying principles.**

The Code of Ethics for directors and key management personnel of the recognised stock exchange or recognised clearing corporation seeks to establish a minimum level of business/ professional ethics to be followed by these directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles:

- Fairness and transparency in dealing with matters relating to the stock exchange or clearing corporation and the investors.
- Compliance with all laws/ rules/ regulations laid down by regulatory agencies/ recognised stock exchange/ recognized clearing corporation.
- Exercising due diligence in the performance of duties.
- Avoidance of conflict of interest between self-interest of directors/ key management personnel and interests of recognised stock exchange or recognised clearing corporation and investors.

### **ii. Ethics committee.**

For overseeing implementation of this Code, an ethics committee shall be constituted by every recognised stock exchange and recognised clearing corporation under the respective governing board.

### **iii. General standards.**

- a) Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities.
- b) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and just and equitable principles of trade.
- c) The conduct of directors and key management personnel in business life should be exemplary which will set a standard for other members of the recognized stock exchange or recognized clearing corporation.

- d) Directors and key management personnel shall not use their position to give/get favours to/from the executive or administrative staff of the stock exchange or clearing corporation, technology or service providers and vendors of the recognised stock exchange or clearing corporation, or any listed company at the recognised stock exchange.
- e) Directors and key management personnel shall not commit any act which will put the reputation of the recognised stock exchange or recognised clearing corporation, in jeopardy.
- f) Directors, committee members and key management personnel of the recognised stock exchange or recognised clearing corporation, should comply with all rules and regulations applicable to the securities market.

**iv. Disclosure of dealings in securities by key management personnel of the stock exchange or clearing corporation.**

- a) Key management personnel of the recognised stock exchange or recognised clearing corporation shall disclose on a periodic basis as determined by the stock exchange or recognised clearing corporation (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ ethics committee/ Compliance Officer.
- b) The dealings in securities shall also be subject to trading restrictions for securities about which key management personnel in the recognised stock exchange or recognised clearing corporation may have non-public price sensitive information. Requirement laid down under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 may be referred in this regard.
- c) All transactions must be of an investment nature and not speculative in nature. Towards this end, all securities purchased must be held for a minimum period of sixty days before they are sold. However, in specific/exceptional circumstances, sale can be effected anytime by obtaining pre-clearance from the Compliance Officer to waive this condition after recording in writing his satisfaction in this regard.

*Explanation.* - "securities" for the purposes of this Code shall not include mutual fund units.

**v. Disclosure of dealings in securities by directors of the stock exchange or clearing corporation.**

- a) All transactions in securities by the directors and their family shall be disclosed to the governing board of the recognised stock exchange or recognised clearing corporation.
- b) All directors shall also disclose the trading conducted by firms/corporate entities in which they hold twenty per cent. or more beneficial interest or hold a controlling interest, to the Ethics Committee.

- c) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or financial institutions and are governed by their own codes shall be exempt from this requirement.

**vi. Avoidance of conflict of interest.**

- a) No director of the governing board or member of any committee of the recognised stock exchange or recognised clearing corporation shall participate in any decision making/adjudication in respect of any person /matter in which he is in any way, directly or indirectly, concerned or interested.
- b) Whether there is any conflict of interest or not in a matter, should be decided by the governing board.

**vii. Disclosures of beneficial interest.**

All directors and key management personnel shall disclose to the governing board, upon assuming office and during their tenure in office, whenever the following arises:-

- a) any fiduciary relationship of self and family members and directorship/partnership of self and family members in any trading member or clearing member;
- b) shareholding, in cases where the shareholding of the director, directly or through his family exceeds 5 per cent. in any listed company or in other entities related to the securities markets;
- c) any other business interests.

**viii. Role of the Chairperson and directors in the day to day functioning of the stock exchange or clearing corporation.**

- a) The Chairperson and directors shall not interfere in the day to day functioning of the recognised stock exchange or recognised clearing corporation and shall limit their role to decision making on policy issues and to issues as the governing board may decide.
- b) The Chairperson and directors shall abstain from influencing the employees of the recognised stock exchange or recognised clearing corporation in conducting their day to day activities.
- c) The Chairperson and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the governing board.

**ix. Access to information.**

- a) Directors shall call for information only as part of specific committees or as may be authorised by the governing board.
- b) There shall be prescribed channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents/ information shall be properly recorded.
- c) All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration/ gain.
- d) Any information relating to the business/operations of the recognised stock exchange or recognised clearing corporation, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

**x. Misuse of position.**

Directors/ committee members shall not use their position to obtain business or any pecuniary benefit in the organization for themselves or family members.

**xi. Ethics committee to lay down procedures.**

- a) The ethics committee shall lay down procedures for the implementation of the code and prescribe reporting formats for the disclosures required under the code.
- b) The Compliance Officer shall execute the requirements laid down by the ethics committee.

While the objective of this Code is to enhance the level of market integrity and investor confidence, it is emphasized that a written code of ethics may not completely guarantee adherence to high ethical standards. This can be accomplished only if directors and key management personnel of the recognised stock exchange or recognised clearing corporation commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.