

SHRI KRISHNA SHARE BROKERS PVT LTD

Members: NSE Stock Exchange and BSE Stock Exchange

Code of Conduct and Ethics

The **Code of Conduct and Ethics** for stock brokers establishes a framework for ethical and professional behavior in dealing with clients, regulators, exchanges, and other market participants. It ensures that stock brokers act with integrity, fairness, and transparency, thereby promoting trust in the financial markets. Below is a detailed outline of a stock broker's code of conduct and ethics:

1. Integrity and Fairness

- **Honesty:** Stock brokers must conduct their business with honesty and integrity, maintaining the highest standards of ethical conduct in all dealings with clients, exchanges, regulators, and other stakeholders.
 - **Fair Treatment of Clients:** Brokers must treat all clients fairly, without bias or discrimination, and ensure that the client's interests are placed above personal or organizational gain.
 - **Avoiding Misleading Practices:** Brokers must not provide false, misleading, or inaccurate information to clients or regulators. Any material information regarding the risks involved in transactions should be clearly communicated.
 - **Prevention of Fraud:** All efforts should be made to prevent fraudulent practices, market manipulation, or insider trading. Brokers must not engage in or encourage any conduct that could harm the integrity of the market.
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2. Confidentiality

- **Client Confidentiality:** Stock brokers must maintain strict confidentiality of client information and only share such information when required by law or regulation, or with the client's consent.
 - **Data Protection:** The firm should implement robust data protection measures to prevent unauthorized access, breaches, or misuse of sensitive client information.
 - **Non-Disclosure:** Brokers should not use confidential client information for personal gain or disclose it to unauthorized third parties.
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3. Professionalism and Competence

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- **Maintaining Professional Standards:** Stock brokers must maintain high standards of professionalism, competence, and knowledge. This includes complying with ongoing educational and certification requirements as mandated by the regulatory authorities.
 - **Diligence and Care:** Every action performed for clients must be conducted with due diligence, reasonable care, and professionalism, ensuring that advice and services are suitable to the client's needs and circumstances.
 - **Conflict of Interest:** Brokers should avoid conflicts of interest and disclose any potential conflicts that may arise in their business. They must ensure that their personal interests do not interfere with the interests of their clients.
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4. Compliance with Laws and Regulations

- **Regulatory Compliance:** Stock brokers must comply with all applicable laws, rules, and regulations set by governing bodies like SEBI (Securities and Exchange Board of India), NSE/BSE (National Stock Exchange/Bombay Stock Exchange), and other relevant authorities.
 - **Timely Reporting:** Brokers must ensure that all regulatory filings, reports, and disclosures are accurate, complete, and submitted in a timely manner.
 - **Compliance Framework:** Maintain a robust internal compliance framework to ensure adherence to regulatory and ethical standards. A dedicated compliance officer should be appointed to monitor compliance-related issues.
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5. Transparency and Disclosure

- **Clear and Complete Information:** Brokers must provide clients with all relevant information about products and services, including costs, charges, risks, and benefits, in a transparent and understandable manner.
 - **Conflict of Interest Disclosure:** Brokers must disclose any conflicts of interest that may affect their advice or service. This includes disclosing any financial benefits they may receive from recommending specific products or transactions.
 - **Fee Disclosure:** All fees, commissions, or charges associated with transactions must be clearly communicated to clients before executing trades or offering services.
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6. Client Protection

- **Suitability of Advice:** Brokers must ensure that the investment products or services recommended to clients are suitable for their financial objectives, risk tolerance, and investment horizon.

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- **No Unauthorized Transactions:** Brokers must not execute any transactions without the explicit consent or instructions of the client.
 - **Handling Client Complaints:** A formal mechanism should be in place to address client complaints promptly and fairly. Brokers should take all complaints seriously and provide clients with a reasonable resolution.
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7. Avoidance of Market Manipulation

- **Prohibition on Market Abuse:** Stock brokers must not engage in any form of market manipulation, insider trading, or other practices that distort the market's fairness and efficiency.
 - **Transparent Trading:** Ensure that all trades are executed fairly, transparently, and in the best interests of the client.
 - **Front-Running and Insider Trading:** Brokers must not engage in front-running (executing trades based on advance knowledge of client transactions) or trade based on non-public, material information (insider trading).
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8. Avoidance of Unethical Practices

- **No Misuse of Client Funds or Securities:** Client funds and securities should be segregated from the broker's own funds to prevent misappropriation or misuse. Client assets should be handled only for the intended purpose.
 - **Prohibition on False or Misleading Advertising:** Brokers should avoid making exaggerated or misleading claims in advertisements, promotions, or public communications. Any promotional material should be fair, balanced, and truthful.
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9. Responsibility to the Exchange

- **Accurate Reporting to the Exchange:** Stock brokers must ensure that all trades and transactions are reported accurately to the exchange. Any discrepancies should be corrected in a timely manner.
- **Abiding by Exchange Rules:** Brokers must follow all rules and guidelines established by the stock exchanges on which they operate (NSE, BSE, etc.).
- **Cooperation with Exchange Investigations:** Brokers should cooperate fully with any investigations conducted by exchanges or regulators. Any misconduct or breach of exchange rules must be reported immediately.

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10. Internal Controls and Risk Management

- **Internal Controls:** Stock brokers must implement effective internal controls to manage operational risks, detect fraudulent activities, and ensure compliance with all regulatory obligations.
 - **Risk Assessment:** Regular risk assessments should be conducted to identify potential areas of concern and address any vulnerabilities in the firm's operations or systems.
 - **Whistleblower Policy:** Brokers should implement a whistleblower mechanism that allows employees to report unethical behavior or violations of the code of conduct confidentially and without fear of retaliation.
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11. Fiduciary Duty and Client First

- **Client Interests First:** Brokers must prioritize their clients' interests over their own and those of the firm, ensuring that all actions benefit the client in the best possible way.
 - **Fiduciary Responsibility:** A broker has a fiduciary duty to act in the best interest of the client. Any investment recommendations or services provided should align with the client's needs, objectives, and risk appetite.
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12. Training and Development

- **Ongoing Training:** Stock brokers must participate in ongoing education and training to stay updated on market trends, products, services, and regulatory changes.
 - **Ethical Awareness:** Regular ethical training sessions should be conducted to reinforce the importance of the Code of Conduct and instill a culture of ethical behavior within the firm.
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13. Insider Information and Confidentiality

- **No Insider Trading:** Stock brokers must refrain from trading based on non-public, material information (insider trading). Any insider information must be kept confidential.
 - **Chinese Walls:** Brokers should implement appropriate "Chinese walls" to prevent the flow of sensitive information between departments, ensuring that non-public information is not misused.
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14. Corporate Social Responsibility (CSR)

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- **Ethical Contributions to Society:** Stock brokers should engage in socially responsible activities and contribute to the well-being of society. This includes promoting financial literacy and ethical behavior in the financial markets.
 - **Environmental Responsibility:** Where possible, stock brokers should also consider the environmental impact of their operations and work towards sustainable practices.
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15. Consequences of Non-Compliance

- **Disciplinary Action:** Any breach of this code of conduct may result in disciplinary action, including fines, penalties, suspension, or termination of employment.
- **Reporting Violations:** Brokers must report any unethical behavior or violations of this code of conduct to the relevant authorities or regulators.
- **Client Remedies:** Clients who have been wronged by unethical practices should be provided with appropriate remedies, including compensation where necessary.