

CODE OF CONDUCT FOR MEMBERS OF THE BOARD

This Code has been approved by the Ethics Committee of The Calcutta Stock Exchange Limited in its meeting held on May 18, 2010 to ensure that it conducts in a manner that does not compromise its ability to accomplish its mandate or undermine the public confidence in the ability of Member(s) to discharge his responsibilities.

1. Definitions

In this Code, unless the context otherwise requires,-

- (i) “Family” means spouse and dependent children below 18 years of age.
- (ii) “Conflict of interests” means any personal interest or association of a Member, which is likely to influence the decision of the Board in a matter, as viewed by an independent third party.
- (iii) “Member” means a Member of the Board and includes Chairman of the Board.
- (iv) “Regulated entity” means an Exchange which is listed or proposed to be listed on a recognized stock exchange(s) or an intermediary registered with SEBI.
- (v) “MD” means Managing Director & CEO of the Exchange.

Words and expressions used and not defined in this Code but defined in the securities laws shall have the meanings respectively assigned to them in those laws.

2. General principles

The Governing Board of CSE shall -

- (a) Evaluate profitability margins of the stock exchanges.
- (b) Ensure adequacy of resource allocation (both financial and human) towards regulatory compliances.
- (c) Focus on strategy, policy level issues and important matters and may review the day-to-day operational matters only in exceptional cases.
- (d) Oversee the critical operations including technology as well as the regulatory, risk management, compliance and investor grievance redressal functions of the stock exchange.
- (e) Take the lead in succession planning for the managing director and other key positions.
- (f) Play an active role in defining, establishing and documenting risk management framework, covering risk appetite or risk tolerance policy of the stock exchange and ensure that the policy contains the following: -
 - Role of risk appetite in key processes
 - Clear quantitative metrics and thresholds to monitor performance of the stockexchange’s risk appetite

- Acceptability of breaches and trigger response(s), if any.
 - Zero tolerance for areas such as cyber security, system stability, surveillance, fair access, fraud or corruption, compliance, etc.
- (g) Make key stakeholders (executive and non-executive) aware of the use and value of risk appetite across the organization (including implications of breaches) and review and approve risk appetite metrics and thresholds periodically.
- (h) Ensure adequate independence of key functions such as regulatory and control functions (risk management, compliance and audit functions) such that;
- Regulatory and control functions have sufficient stature to perform their tasks effectively.
 - Regulatory and control functions operate independently and have appropriate direct access to the governing board of the stock exchange and senior management.
 - Control functions are proactively involved in all relevant decisions and activities.
- (i) Provide for three lines of defense construct where:
- The first line of defense incorporates business units and support functions as it has the responsibility to own and manage risks associated with day to day operational activities.
 - The second line of defense comprises of various oversight functions i.e., regulatory, risk management, compliance teams, and
 - The third line of defense comprises the internal audit function.
- (j) Ensure that the roles and responsibilities of management in relation to three lines of defense are clearly specified and understood and that all employees are responsible for the regulatory, risk management and compliance outcomes.
- (k) Ensure a culture of effective communication and challenge (i.e., encourage alternate views or questions from individuals and groups) and value and respect it.
- (l) Ensure that any new product, service, revenue stream is examined by the concerned department of the stock exchange from the compliance and risk management perspectives in addition to normal viability issues before approving the same.
- (m) Review periodically all existing products, services and revenue streams.
- (n) Shall meet, without the presence of the managing director and any other executive director, the chief regulatory officer or compliance officer, the chief risk officer, the chief information security officer, the statutory auditor of the stock exchange and any other person as determined by the public interest directors and non-independent directors to discuss important issues concerning the stock exchange, on a periodic basis as specified by the Board.
- (o) Periodically review the frequency of meetings and agenda items of the governing board and statutory committees to ensure that the number of meetings is rationalized and all important issues are discussed.
- (p) Ensure that the agenda papers are approved by the Chairman of the governing board.

- (q) Ensure that members of the governing board can place agenda item during their meeting.

- (r) Be responsible for monitoring compliance with the code of conduct by the directors of the stock exchange.
- (s) Uphold a strong culture in the stock exchange and promote target culture from the top through behavior, actions and effective communication.
- (t) Communicate the guiding principles for institution's target regulatory, compliance, risk and conduct culture.
- (u) Endeavor that the stock exchange put in place key elements related to culture such as:
 - Adequate training programs to help employees better understand expectations of behavior (for example, trainings on dilemmas);
 - Mechanisms to measure and track indicators related to culture at regular intervals;
 - Accountability mechanisms
 - Performance management mechanisms which take into account adherence to culture, conduct and behavior related dimensions.

3. Procedure for public to raise conflict of interests

- (1) Any person, who has reasonable ground to believe that a Member has an interest in a particular matter, may bring the same with material evidence to the notice of Secretary to Board.
- (2) The Secretary to the Board shall place the details received under sub-clause (1) before Chairman in case of a Member and before the Board in case of Chairman
- (3) The Chairman or the Board, as the case may be, shall determine if the Member or Chairman has an interest which is likely to affect the decision by him.
- (4) The Member or the Chairman, as the case may be, shall refrain from dealing with that particular matter if the Chairman or the Board determines that there is a conflict of interests.
- (5) The Chairman or the Board, as the case may be, shall assign that matter to another Member or a Committee of Members.

4. Meetings & Minutes

The directors and committee members of the recognized stock exchange shall—

- a. Not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise and in such cases the same shall be disclosed and recorded in the minutes of the meeting.
- b. Not encourage the circulation of agenda papers during the meeting, unless circumstances so require.

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- c. Ensure that minutes are recorded to capture all points of opinion comprehensively.
- d. Offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- e. Insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- f. Endeavor to have the date of next meeting fixed at each governing board meeting and committee meetings respectively in consultation with other respective members of the governing board and committees.
- g. Ensure that all important agendas placed before the governing board of stock exchange and committees are deliberated in a timely manner.
- h. Not support any decision in the meeting of the governing board of stock exchange and the committees respectively which may adversely affect the interest of investors and shall report forthwith any such decision to the Board.

5. Disclosures of Beneficial Interest.

All directors, committee members shall disclose to the governing board of recognized stock exchange, upon assuming office and during their tenure in office, whenever the following arises:—

- (a) Any fiduciary relationship of self and family members and directorship or partnership of self and family members in any trading member or clearing member or depository participant or registrar and transfer agent;
- (b) Shareholding, in cases where the shareholding of the director directly or through his family exceeds 5 percent in any listed company or in other entities related to the securities markets;
- (c) Any other business interests.

6. Procedure for managing the conflict

- (1) A Member shall disclose a conflict of interests at the earliest possible opportunity.
- (2) A Member shall seek determination from the Chairman if he has a doubt whether there is a conflict of interests or not.
- (3) Chairman shall seek determination from the Board if he has a doubt whether there is a conflict of interests or not.
- (4) If the Chairman or the Board, as the case may be, determines that there is a conflict of interests, the Member or Chairman shall refrain from dealing with the particular matter.
- (5) The Chairman or the Board, as the case may be, shall assign that matter to another

7. Strategic Planning

- a. Participate in the formulation and execution of strategies in the best interest of the stock exchange and contribute towards pro-active decision making at the governing board level;
- b. Give benefit of their experience and expertise to the stock exchange and provide assistance in strategic planning and execution of decisions.
- c. Place priority for redressing investor grievances and encouraging fair trade practice so that the stock exchange becomes an engine for the growth of the securities market.

8. Regulatory Compliances

- a. Endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Rules Regulations framed thereunder and the circulars, directions issued by the Government/SEBI from time to time.
- b. Endeavour compliance at all levels so that the regulatory system does not suffer any breaches.
- c. Endeavour to ensure that the exchange takes commensurate steps to honor the time limit prescribed by SEBI for corrective action.
- d. Not support any decision in the meeting of the Governing Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.

9. Prohibition on dealings in securities in proprietary account by elected office bearers of the exchange

Elected office bearers (Chairman) of the Exchange shall refrain from proprietary trades in securities, directly or indirectly, during the period of holding office.

Explanation: Speculative trading in securities by office bearers on their own account with their own money directly or indirectly during the period of their office is prohibited. Securities purchased are required to be held for a minimum period of 60 (sixty) days before they are sale, as per the provisions of the Master Circular dated December 31, 2010 issued by SEBI for administration of Stock Exchanges.

10. General Responsibility

- (a) Analyses and administer the stock exchanges' issues with professional competence, fairness, impartiality, efficiency and electiveness;
- (b) Submit the necessary disclosures, statement of holdings, dealings in securities as required by the stock exchanges from time to time as per their rules, bye-laws or articles of association;

- (c) Unless otherwise required by law, maintain confidentiality and not divulge or disclose any information obtained in the discharge of their duty and no such information is used for personal gains;
- (d) Maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and not engage in acts discreditable to their responsibilities;
- (e) Perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- (f) Perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- (g) Not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the stock exchanges ;
- (h) Promote greater awareness and understanding of ethical responsibilities;
- (i) In the conduct of their business, observe high standards of commercial honor and; just and equitable principles of trade;
- (j) Be exemplary in their conduct in business life which may set a standard for others;
- (k) Not use their position to give or receive favors to or from the executive or administrative staff of the stock exchange, technology or service providers and vendors or suppliers of the stock exchange or any listed company at the stock exchange or any issuer company admitted by the stock exchanges;
- (l) Not commit any act which will put the reputation of the stock exchanges in jeopardy;
- (m) Comply with the provisions of all applicable laws pertaining to the securities market;
- (n) Directors shall at all point of time comply with all the internal policies of the stock exchange including their code of conduct. If there is a conflict between the code of conduct policy of the stock exchange with those provided by the Board, then the policy issued by the Board shall prevail.

11. Other Disclosures

A Member shall disclose the following:

- a) any post, other employment or fiduciary position which a Member holds, or has held in

the past 5 years in connection with any regulated entity;

- b) any other significant relationship, including a professional, personal, financial or family relationship held in connection with a regulated entity;
- c) Any honorary position, by whatever name called, in any organization.
- d) Annual Declaration:

Every Member shall sign and submit the annual declaration in Form A, by April 15 every year, affirming compliance with the provisions of this Code

12. Maintenance of disclosures

- (1) The information as disclosed under this Code shall be kept confidential and shall not be disclosed save in the following circumstances:
 - a. Where there is a requirement for disclosure for the purposes of managing potential or actual conflicts;
 - b. Where there is any legal or regulatory obligation to disclose the information.
- (2) The disclosures by a Member may be scrutinized under the authority of the Chairman with due regard to Members' areas of responsibility.
- (3) The disclosures by Chairman may be scrutinized under the authority of the Board with due regard to Chairman's responsibility.
- (4) The Secretary shall keep and maintain custody of documents / records etc. pertaining to any disclosure made under this Code.

13. Securities Law

Not to indulge in Insider Trading or dealing in shares of the Exchange in violation of the provisions of the Insider Trading Policy of the Exchange and to strictly abide with all disclosure norms prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as may be amended, from time to time.

14. Transitory provisions

The existing Members shall make the disclosure as required under this Code within a period of one month from the date on which this Code was adopted by the Committee.

15. Access to Information

- 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 or information shall be properly recorded.

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- All such information, especially which is non-public and price sensitive, shall be kept confidential and not be used for any personal consideration or gain.
- Any information relating to the business or operations of the stock exchange which may come to the knowledge of directors or committee members 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.
- Directors shall call for information only as part of specific committees or as may be authorized by the governing board of stock exchange.

16. Misuse of Position.

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

17. Role of the directors and committee members in the day to day functioning of the recognized stock exchange.

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

18. Avoidance of Conflict of Interest.

- (a) No director or committee member of the stock exchange shall participate in any decision making or adjudication in respect of any person or matter in which he or she is in any way, directly or indirectly, concerned or interested.
- (b) Conflict of interest in a matter, if any, shall be decided by the governing board of the stock exchange.

19. Disclosure of dealings in securities by Directors of the recognized stock exchange.

- (a) All transactions or dealings in securities by the directors and their immediate relatives (as defined in the Securities and Exchange Board of India (Prohibition of

Insider Trading) Regulations, 2015) shall be disclosed to the governing board of the stock exchange.

- (b) All directors shall also disclose the trading conducted by firms or corporate entities in which they hold twenty percent or more beneficial interest or hold a controlling interest, to the stock exchange.
- (c) The details including time period for disclosures stated above shall be provided by the stock exchange, provided that the time period for disclosure shall not be later than fifteen days of the transaction/ dealing.
- (d) Directors who are nominees of Government of India, its statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.

20. Applicable to Public Interest Directors

- (a) Public Interest Directors of the stock exchange shall endeavor to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy-five percent of the total meetings of the governing board in a calendar year.
- (b) Public interest directors shall meet separately, at least once in six months to exchange views on critical issues. Public interest directors shall submit a report of such meeting to the Board and to the governing board of the recognized stock exchange within the time and manner as may be specified by the Board from time to time.
- (c) Public interest directors shall identify important issues which may involve conflict of interest for the stock exchange or may have significant impact on the functioning of the stock exchange or may not be in the interest of securities market. The same shall be reported to the Board in a time bound manner.
- (d) Public interest directors shall have regular oversight on observations of Board's inspection particularly on issues of governance standards, technology and cyber security and system audit and cyber security audit observations.
- (e) Public interest directors should be proactive in identifying any issues concerning functioning of stock exchange and report the same to the Board. Public interest directors should ensure all regulatory communication/letter from the Board are

- placed before the governing board with comments/report of managing director.
- (f) Public interest directors shall put in place an evaluation mechanism to assess the performance of managing directors on a continuing basis in line with evaluation guidelines for public interest directors.
 - (g) Public interest directors to ensure that appointments of managing director be held within specified timelines. Identification of key management personnel be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of the Board.
 - (h) Public interest directors should take proactive part in the deliberations of different committees and steer their functioning.
 - (i) Ensure adequacy of resource allocations (both financial & human) towards regulatory compliances to be ensured.

21. Applicable to Independent External Professionals

Independent external professionals shall not use or act on any sensitive information received in capacity as a member of the statutory committee for obtaining any undue benefit.

(22) The SoP adopted for monitoring the code of conduct as prescribed for directors is as follows:

- (1) Any person, who has reasonable ground to believe that a Member has an interest in a particular matter, may bring the same with material evidence to the notice of Secretary to Board.
- (2) The Secretary to the Board shall place the details received under sub-clause (1) before Chairman in case of a Member and before the Board in case of Chairman
- (3) The Chairman or the Board, as the case may be, shall determine if the Member or Chairman has an interest which is likely to affect the decision by him.
- (4) The Member or the Chairman, as the case may be, shall refrain from dealing with that particular matter if the Chairman or the Board determines that there is a conflict of interests.
- (5) The Chairman or the Board, as the case may be, shall assign that matter to another Member or a Committee of Members.

Form A

Company Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range
Kolkata – 700 001

Dear Sir/Madam,

I, Mr./Mrs./Ms. _____, _____ (designation) do and hereby acknowledge and confirm that during the financial year _____, to the best of my knowledge and belief, I have not violated any of the provisions of this Code or any of the policies or legal/regulatory requirements of the Exchange, as may be applicable to my responsibility.

Signature:
Name:
Designation:

Place:
Date:

Note:

1. Kindly sign and return this declaration on or before April 15, _____.
2. This declaration shall be valid for the Financial Year _____.