



CIRCULAR

F. No. 286/IFSCA/ CMD-DMIIT/PM/2021

September 13, 2021

To,

All Market Infrastructure Institutions in GIFT-IFSC including Bullion Exchange, Bullion Clearing Corporation and Bullion Depository

Dear Sir/Madam,

Sub: Code of Conduct and Code of Ethics for the Directors and Key Management Personnel (KMP) of recognized Market Infrastructure Institutions (MIIs) in GIFT-IFSC

1. This has reference to the Regulation 25 (1) of the IFSCA (Market Infrastructure Institutions) Regulations, 2021 [MIIs Regulations] and Regulation 21 (1) of the IFSCA (Bullion Exchange) Regulations, 2020 [Bullion Exchange Regulations].

As per the said regulations, every Director and KMP of the recognized MIIs [Recognized Stock Exchange, Recognized Clearing Corporation, Recognized Depository, Recognized Bullion Exchange, Recognized Bullion Clearing Corporation, Recognized Bullion Depository] in GIFT-IFSC has to abide by the Code of Ethics and Code of Conduct specified by the Authority.

2. In this regard, the Code of Conduct and Code of Ethics for the Directors on the governing board and Key Management Personnel of the recognized Market Infrastructure Institutions (MIIs) in GIFT-IFSC is as under:



Part A: CODE OF CONDUCT FOR DIRECTORS

1. Meetings and minutes

Every Director of the recognized MIIs 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;
- c) offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes;
- d) insist on the minutes of the previous meeting being placed for approval in subsequent meeting;
- e) endeavor to have the date of next meeting fixed at each governing board meeting in consultation with other members of the governing board;
- f) endeavor to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

2. Code of Conduct for the Public Interest Directors (PID)

- a) In addition to the conditions stated in Para (1) above, PIDs of the recognized MIIs 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 per cent of the total meetings of the governing board in a calendar year.
- b) The PIDs shall meet separately, at least once in six months to exchange views on critical issues.



- c) The PIDs shall identify important issues which may involve conflict of interest for the MIIs or may have significant impact on the functioning of recognized MIIs or may not be in the interest of securities/bullion market. The same shall be reported to the Authority.

3. Strategic planning

Every Director of the recognized MII shall—

- a) participate in the formulation and execution of strategies in the best interest of the recognized MII and contribute towards pro-active decision making at the governing board level;
- b) give benefit of their experience and expertise to the recognized MII and provide assistance in strategic planning and execution of decisions.

4. Regulatory compliances

Every Director of the recognized MII shall—

- a) ensure that the recognized MII abides by all the applicable provisions of International Financial Services Centres Authority Act, 2019, MIIs Regulations, Bullion Exchange Regulations, rules and regulations framed thereunder and the circulars, directions issued by the Authority from time to time;
- b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;
- c) ensure that the recognized MII takes steps commensurate to honour the time limit stipulated by Authority 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 the Authority.



5. General responsibility

Every Director of the recognized MII shall—

- a) place priority for redressing investor grievances and encouraging fair trade practice so that the recognized MII becomes an engine for the growth of the securities/bullion market;
- b) endeavor to analyze and administer the recognized MII issues with professional competence, fairness, impartiality, efficiency, and effectiveness;
- c) submit the necessary disclosures/statement of holdings/dealings in securities/bullion as required by the recognized MII from time to time as per their Rules or Articles of Association;
- d) unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
- e) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- f) 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;
- g) perform their duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion;
- h) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the recognized MII.



Part B: CODE OF ETHICS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP)

The 'Code of Ethics' for Directors and Key Management Personnel of the recognized MIIs, is aimed at improving the professional and ethical standards in the functioning of recognized MIIs thereby creating better investor confidence in the integrity of the securities/bullion market.

6. Objectives and underlying principles:

The Code of Ethics for Directors and Key Management Personnel of the recognized MII 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:

- a) Fairness and transparency in dealing with matters relating to the recognized MII and the investors.
- b) Compliance with all laws/ rules/ regulations laid down by regulatory agencies/ recognized MII.
- c) Exercising due diligence in the performance of duties.
- d) Avoidance of conflict of interest between self-interest of Directors/ Key Management Personnel and interests of recognized MII and investors.

7. Regulatory oversight committee

For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every recognized MII under the respective governing board.



8. General standards

- a) Directors and Key Management Personnel shall endeavor 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 MII.
- d) Directors and Key Management Personnel shall not use their position to give/get favours to/from the executive or administrative staff of the MII, technology or service providers and vendors of the recognized MII, or any listed company at the recognized stock exchange.
- e) Directors and Key Management Personnel shall not commit any act which will put the reputation of the recognized MII, in jeopardy.
- f) Directors, committee members and Key Management Personnel of the recognized MII, should comply with the provisions of all applicable law to the securities/bullion market.

9. Disclosure of dealings in securities by Key Management Personnel of the stock exchange or clearing corporation or depository

- a) Key Management Personnel of the recognized stock exchange or recognized clearing corporation or recognized depository shall disclose on a periodic basis as determined by the recognized stock exchange or recognized clearing corporation or recognized depository (which could be monthly), all their dealings in securities, directly or indirectly, to the governing board/ regulatory oversight committee/ Compliance Officer.



- b) The dealings in securities shall also be subject to trading restrictions for securities about which Key Management Personnel in the recognized stock exchange or recognized clearing corporation or recognized depository may have unpublished price sensitive information. Requirement laid down under SEBI (Prohibition of Insider Trading) Regulations, 2015 shall 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.

10. Disclosure of dealings in securities by Directors of the stock exchange or clearing corporation or depository

- a) All transactions / dealings in securities by the Directors and their relatives shall be disclosed to the governing board of the recognized stock exchange or recognized clearing corporation or recognized depository.
- 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 stock exchange/clearing corporation/depository.
- c) The details including time period for disclosure under clause 10 (a) and 10 (b) above shall be prescribed by the stock exchange/clearing corporation/depository, provided that the time period for disclosure shall not be later than fifteen days of the transaction / dealing.
- d) Directors who are Govt. of India nominees or nominees of Govt. of India statutory bodies or Public Financial Institutions and are governed by their own codes shall be exempt from this requirement.



11. Avoidance of conflict of interest

- a) No Director of the governing board or member of any committee of the recognized MII 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, shall be decided by the governing board.

12. 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/Key Management Personnel, 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.

13. Role of the Chairperson and Directors in the day-to-day functioning of the recognized MII

- a) The Chairperson and Directors shall not interfere in the day-to-day functioning of the recognized MII 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 recognized MII 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.

14. Access to information

- a) The Directors shall call for information only as part of specific committees or as may be authorized 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 recognized MII, 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.

15. Misuse of position

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

16. Regulatory Oversight committee to lay down procedures

- a) The regulatory oversight 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 regulatory oversight 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 recognized MIIs commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.

A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in

Yours faithfully,

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