



STCI PRIMARY DEALER LIMITED

FAIR PRACTICE CODE

2024

Document Control Sheet*Document authorization*

| Version No. | Prepared By | Approved By | Effective Date |
|--------------------|-----------------------------------|---|-----------------------|
| 8.0 | Compliance | Risk Management Committee & Board of Directors | 25.03.2023 |
| 9.0 | Chief Compliance Officer (CCO) | Risk Management Committee & Board of Directors (at the meeting held on March 22, 2024) | 22.03.2024 |
| | | | |

Review distribution list

| # | Department | Name | Signature |
|----------|--------------------------|-------------|------------------|
| 1 | Risk | | |
| 2 | Accounts | | |
| 3 | Treasury | | |
| 4 | Sales | | |
| 5 | Operations / Settlements | | |
| 6 | Funding | | |
| 7 | Compliance | | |
| 8 | Internal Audit | | |

Changes during the year

| Date of Issuance | Circular No. | Circular Name |
|-------------------------|---------------------|----------------------|
| | | |
| | | |

Contents

| | |
|--|----|
| 1. Introduction..... | 3 |
| 2. Background..... | 3 |
| 3. Organisation of the Company..... | 3 |
| 4. Applicability..... | 4 |
| 5. Management Controls..... | 4 |
| 6. Know your counterparty and due diligence..... | 5 |
| 7. Recording of conversations..... | 5 |
| 8. Dealing in the Fixed Income Markets:..... | 5 |
| 8.1. Dealing Principles & Procedures..... | 5 |
| 8.2. Communication: Channels, disclosures and transparency..... | 6 |
| 8.3. Rates & Prices..... | 7 |
| 8.4. Confirmations..... | 8 |
| 8.5. Settlement of deals..... | 8 |
| 8.6. Reversal of erroneous trades..... | 8 |
| 8.7. Deals with/on behalf of CSGL (Gilt Account Holders)..... | 9 |
| 9. Dealing in the Money Markets:..... | 9 |
| 9.1. Lending in Call/Notice/Term Money Market..... | 9 |
| 9.2. Lending in Repo Market..... | 9 |
| 9.3. Lending in TREPS Market..... | 10 |
| 10. Grievance Redressal Mechanism..... | 10 |
| 11. Salient Features of the RBI - Integrated Ombudsman Scheme, 2021..... | 11 |
| 12. Amendments/ Review of Policy..... | 12 |

1. Introduction

Reserve Bank of India (RBI) has prescribed guidelines on Fair Practices for all Non-Banking Financial Companies (NBFCs) for fair business and corporate practices while dealing with their customers on the basis of which Fair Practices Code (FPC) shall be put in place by NBFCs. RBI through Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (SBR Framework) has prescribed broad guidelines on fair practices which, inter alia, include processing of application for loans, appraisal of loan, levy of penal charges, loan disbursement including changes in terms and conditions and certain other conditions/aspects which NBFCs need to follow.

The Fair Practice Code of the Company has been prepared in accordance with the RBI master directions / circulars / notifications to the extent applicable.

2. Background

STCI Primary Dealer Limited (STCIPD/Company) is incorporated under the Companies Act, 1956 and is registered with RBI as a Standalone Primary Dealer and governed under the RBI Master Directions - the Standalone Primary Dealers (Reserve Bank) Directions, 2016 ('RBI SAPD Directions'). The Company is required to be registered with RBI under Section 45 IA of the Reserve Bank of India Act, 1934 as a non-deposit taking systemically important NBFC (NBFC-ND-SI) for undertaking the business of a Standalone Primary Dealer and is categorized as a Middle layer – NBFC within the governing legislation 'Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023' ('RBI SBR Direction'). The Company is also a Member of Primary Dealers Association of India (PDAI) and Fixed Income Money Market and Derivatives Association (FIMMDA) and abides by the code of conduct framed by them. This Code has been prepared in accordance with the guidelines as prescribed by RBI as well as the publications/code/general market practice guidelines released by FIMMDA/PDAI.

3. Organisation of the Company

The Company has adopted extensive internal controls and processes to mitigate operational risks, including centralized deal entry operations at Head Office and 'segregation of duty' between the front office (Business Units) and back office (Support Function).

The Company has adopted the 'Three Lines of Defense' governance model across Business Units and Support Functions, Risk Management & Compliance Function and Internal Audit Function.

The structure is as under:-

| Function | Responsibility for |
|-------------------------------|---|
| First Line of Defense | |
| Business Units | Dealing Desk (i.e Fixed Income Traders, Equity Traders, Currency Traders) and Sales Desk. |
| Support Functions | Back Office and Settlements operations, Funding Desk, Accounts & Admin Function, Corporate Secretarial Function, Information Technology (IT) Function, Fixed Income Research and Human Resource (HR) Functions. |
| Second Line of Defense | Risk Management and Compliance Functions. |
| Third Line of Defense | Internal Audit Assurance Framework |

4. Applicability

The general principles and procedures/market practices are applicable to financial instruments that the Company deals in. The major products that the Company currently deals in (indicative list) are:

- Call / Notice / Term Money
- TREPS / CROMS
- Ready Forward (Repo) Transactions
- Government Securities Lending & Borrowing Transactions
- Government Dated Securities including SDLs, FRBs & IIBs
- Treasury Bills (including Cash Management Bills)
- Commercial Paper (CPs) & Certificate of Deposit (CDs)
- Corporate Bonds / Debentures
- Interest Rate Derivatives
- Equity Cash & Derivatives

5. Management Controls

The Company has put in place suitable controls and internal procedures with respect to the dealings of the Company in the securities markets. The Company employees shall be responsible to abide and follow the controls and internal procedures within the organization. The Senior Management shall be responsible to periodically review the controls and procedures with the intent to ascertain the effectiveness of the systems.

The Company shall ensure that an ongoing training program is imparted to the employees for appraising them on applicable rules and regulations, conventions, practices of the markets in which they deal so as to ensure that the employees possess the required skills and resources to perform their job with professional integrity and honesty. The Company shall maintain the highest standards of ethical & professional conduct so as to enhance the reputation of the

markets in which it deals in. Training programs conducted by the Company shall aim to prioritize on the fundamental tenets of the compliance culture on the policies and guidelines. The Company shall ensure that all new individuals authorized to use the NDS OM System are trained for at least 15 days, before being allowed to handle the system.

The Company has in place a Policy on Investment & Trading for its employees to ensure that there is no conflict of interest for executing a trade transaction in the personal capacity and also within the prescribed code of conducts and standards, as and when applicable to them.

The Company shall ensure that its authorized personnel conduct deals only from the normal place of dealing i.e. from the dealing room only on recorded telephone lines and off premise deals are avoided. Communication devices like mobile phones, not connected to the voice recorder should not be allowed to be used for trading purposes.

The Company shall ensure that only users duly authorized are able to access the NDS OM system. The Company shall ensure that procedures laid down to prevent unauthorized access to the system (User ID, passwords) etc. is properly followed to prevent abuse of the system.

6. Know your counterparty and due diligence

The Company conducts basic due diligence and “Know Your Counterparty” checks before dealing with any counterparty. The Company has in place the Know Your Customer (KYC) Policy stating the requisite details to be obtained before engaging in any transactions with any counterparty as such.

7. Recording of conversations

The Company has a system in place of recording all calls to and from the dealing room. These are recorded as they prove to be invaluable in speedy resolution of differences and disputes. The recordings are kept for three months. Communication devices like mobile phones, not connected to the voice recorder will not be allowed to be used for trading purposes. Tapes relating to disputed/unconfirmed transactions will be retained until the disputes have been settled/confirmed. The access to the recording equipment will be strictly controlled so that they cannot be tampered with.

8. Dealing in the Fixed Income Markets:

8.1. Dealing Principles & Procedures

The Company shall ensure that all individuals who close deals on behalf of the Company abide by the dealing procedures and principles that are explained in chapter 4 of FIMMDA Handbook of market practices.

The Company shall ensure that all individuals who close deals on behalf of the Company in the OTC market adopt a healthy practice of stating all terms and conditions to which the deal will be subject to. The Company shall further ensure that any individual who commits on its behalf is acting within approved authority. The Company shall stand by the commitment made by an individual acting on behalf of the Company, the principle being “My Word is my Bond”.

The Company shall ensure that all individuals who transact on its behalf clearly state at the outset, prior to a transaction being executed, any qualifying conditions to which the deal will be subject to. Typical examples of qualifications include where a price is quoted subject to the necessary credit approval, limits available for the counterparty, inability to conclude a transaction because offices of the member in other centres are not open.

The Company shall not enter into any transactions which has intent of disrupting the market, distorting the prices, or artificially inflating trading volumes.

The Company shall ensure that all individuals who transact on its behalf communicate clearly whether the prices they are quoting are firm or merely indicative. In volatile markets, or when some news is expected, the dealers quoting a firm price or rate will indicate the length of time for which their quote is firm.

The Company shall ensure that all individuals who transact on its behalf shall not make frivolous quotations with an intent to mislead the market participants either on any trading platform or in the OTC segment.

8.2. Communication: Channels, disclosures and transparency

The Company shall ensure that its trading personnel communicate through approved modes and channels of communication only. The Company shall further ensure that its trading personnel always communicate in unambiguous, transparent, accurate and professional manner to promote effective communication that supports a transparent market.

The Company has in place a Policy on Investment & Trading for Employees to ensure that the employees do not disclose sensitive information to external parties, and if required to do so, obtain necessary permissions.

The Company shall ensure that its trading personnel share a view on market outlook, general state of market or trends without disclosing designated confidential information. Further

trading personnel will not intentionally disseminate false or misleading information with respect to the price or market for a security.

In case any official of the Company is a member of any committee (regulatory or otherwise) having some material non-public information, he/she will not disclose the same to others or use this for trading in market, till it is officially made public.

The Company shall ensure that all the derivative transactions undertaken with its client fall within the guidelines of the Suitability and Appropriateness Policy as laid down by the Board and for the time period, as stipulated by Reserve Bank of India (RBI).

8.3.Rates & Prices

The Company shall observe high standards of integrity and just and fair principles while trading either on its own account or on behalf of its clients. The Company abides by the NDS OM Code of Conduct while executing trades on NDS-OM and in the OTC Market.

The Company does not deal at rates which are not market related. The Company shall ensure that proper procedures are in place, including the periodicity of taking rate scans. The Company ensures that the bids/offers placed on the NDS OM System, are free from market manipulation and fraudulent practices. Examples of such bids and offers which the Company will scrupulously avoid are:

- i) Simultaneously buying and selling the same securities at off market prices in order to create false or misleading signals regarding the supply of, demand for, or market price of securities
- ii) Deliberately trying to manipulate the prices of infrequently traded securities at monthly/quarterly /annual closing dates.
- iii) Entering into arrangements for sale or purchase of a Government security where there is no change in beneficial interests or market risk or where the transfer of beneficial interest or market risk is only between parties who are acting in concert or collusion.
- iv) Entering into 'routing deals' i.e. purchasing a security at the instance of a third party who does not have funds to purchase the security, with an unwritten agreement to sell the same to the third party on a later date at a predetermined price which may not be market related.
- v) Deliberately putting wide bids and offers on the NDS- OM for the infrequently traded securities, such that the party buying or selling at the price displayed commits a "big-figure" mistake.

FIMMDA has in place a Price/Yield range/band for trading on the NDS OM. The Head of Treasury is responsible for the internal discipline of ensuring that the FIMMDA trading bands are not breached under normal circumstances.

The Company has a Board approved Rate Scan Policy in place under which the Risk Management Department prepares a daily rate scan report for all deals covered under the Rate Scan Policy to ensure that the dealt rates for all such deals are within the bands stipulated for each product category.

8.4. Confirmations

Deals closed by the traders shall be independently confirmed by the back-office. All deal confirmations shall include the trade date of the deal, settlement/value date of the deal, the name of the counterparty and all other details of the deal. The back office shall immediately take action on instances where confirmations received do not have a corresponding trade.

Any discrepancy between a confirmation and significant details of the trade, and even the existence of a trade, will be brought to the notice of the concerned officials. A written confirmation of each deal is sent out and a return confirmation is asked for from the counterparty. The confirmation provides a necessary safeguard against dealing errors. Confirmations are checked promptly.

8.5. Settlement of deals

Deals in Government Securities and T-Bills may be conducted either on the NDS OM Trading platform or in the OTC market. Trades done outside the NDS OM Trading platform, are entered on the NDS OM Reporting platform within the stipulated time of conclusion of the trade. The approval of the deals is done within the stipulated time from the moment of conclusion of the deal.

8.6. Reversal of erroneous trades

In case erroneous trade with a “big-figure” mistake trades get executed, Company shall ensure that no undue enrichment and/or losses occur to either itself or its counterparty. When the Company’s dealers notice the big-figure error, (irrespective of whether the Company has lost or gained due to the big –figure error) they will immediately inform the Head of Treasury who will in turn inform FIMMDA about such a deal. As far as possible, a reversal deal will be put through on the same day, on the NDS OM system, for the same security, same amount (face value), and at the same price. In case this is not possible; the difference will be settled in cash on the next working day.

8.7.Deals with/on behalf of CSGL (Gilt Account Holders)

The Company shall observe highest standards of integrity and just and fair principles while trading on behalf of or with its constituent accounts (Gilt Account Holders). The Company shall ensure fair and prompt deal execution practices, while acting as a principal or on behalf of its constituent accounts (Gilt Account Holders). The constituent account orders will not be discriminated and shall be dealt in the priority of receipt of the orders.

The dealers/ sales personnel shall disclose market conditions prevailing in the market to the best of their knowledge so as to enable their clients to make an informed investment decision.

The Company shall ensure that all individuals who transact on its behalf maintain utmost confidentiality with respect to client information and do not disclose/disseminate the same to any entity.

The Company shall adopt fair and prompt deal execution practices while acting on behalf of their clients. The client orders will not be discriminated and will be dealt in the priority of receipt of the orders.

9. Dealing in the Money Markets:

9.1.Lending in Call/Notice/Term Money Market

The Company is permitted to lend funds in Call/Notice/Term Money market to specified participants viz. Banks and other Primary Dealers subject to dealing/exposure limits as fixed for the counter parties in accordance with relevant investment guidelines as approved by the Board of Directors of the Company from time to time and in accordance with the various rules and regulations. The Company will ensure that the rate of interest of all such transactions is market determined. The Company is also a member of Negotiated Dealing System (NDS)-CALL and all Call/Notice/Term money market deals are required to be reported on NDS-CALL platform. Thus, each deal is transparent and rates are market driven.

9.2.Lending in Repo Market

The Company is permitted to lend in Repo Market. Repo transactions are undertaken only in securities as permitted by RBI from time to time. The dealing/exposure limits are fixed for the counter parties by the relevant investment guidelines as approved by the Board of Directors of the Company from time to time in accordance with the various rules and regulations. The Company will ensure that the rate of interest of all such transactions is market determined. The repo transactions in SLR securities are settled in Clearcorp Repo Order Matching System

(CROMS) system through the SGL Account/CSGL Account maintained with the RBI with CCIL acting as a central counter party. Thus, each deal is transparent and rates are market driven. The repo transactions in non SLR securities are settled in Corporate Bond Reporting and Integrated Clearing System (CBRICS) of NSE and Indian Corporate Debt Market Reporting Platform (ICDN) of BSE which disseminates trade data of all deals reported thereby ensuring each deal is transparent and rates are market driven.

The Company has a Board approved Rate Scan Policy in place under which the Risk Management Department prepares a daily rate scan report for all deals covered under the Rate Scan Policy to ensure that the dealt rates for all such deals are within the bands stipulated in the Rate Scan Policy.

9.3.Lending in TREPS Market

CCIL provides an automated dealing system to all the members of TREPS segment of Clearcorp Dealing Systems Ltd to enable them to borrow and lend funds against collateral of Government Dated Securities, SDLs & STRIPS. CCIL acts as a central counterparty for both borrowers and lenders and there is no settlement risk involved as CCIL guarantees all the trades. The Company will ensure that the rate of interest of all such transactions is market determined. The Company is a member of TREPS segment and all deals are conducted on the electronic anonymous order matching system thereby ensuring that each deal is transparent and rates are market driven.

10. Grievance Redressal Mechanism

Clients can forward all their grievances / complaints at the Registered Office of the Company. The Company has Grievance Redressal Mechanism within the organization to resolve disputes with its clients.

All grievances in respect of the Company's transactions in the market and in respect of this code shall be addressed to the Head of Treasury, who will be the Grievance Redressal Officer in respect of compliance with this code. In case the grievance is not satisfactorily addressed within a period of 30 (thirty days), the same may be escalated to the Managing Director of the Company.

The Company shall periodically review the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various levels of Management. A consolidated report of such reviews shall be submitted to the Board at regular intervals.

The Fair Practices Code shall be subject to modifications and amendments, subject to directives received from RBI from time to time.

11. Salient Features of the RBI - Integrated Ombudsman Scheme, 2021

Reserve Bank of India with effect from November 12, 2021 introduced an Integrated Ombudsman Scheme, 2021 ('RBI Scheme'). The Scheme adopts 'One Nation One Ombudsman' approach by making the RBI Ombudsman mechanism jurisdiction neutral. It integrates the existing three Ombudsman schemes of RBI namely, (i) the Banking Ombudsman Scheme, 2006; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019.

A brief/salient features of the RBI Scheme is as under:

1. Applicability of the RBI Scheme: Regulated Entities of Reserve Bank of India (Banking Entities/ NBFCs either accepting deposit or customer interface with asset size of Rs. 100 crore / Payment System Operators)
2. Any client/customer may file a complaint on any act or omission resulting in 'Deficiency in service' of the Regulated Entity either personally or through an authorized representative to the RBI Ombudsman.
"Deficiency in service" means a shortcoming or an inadequacy in any financial service, which the Regulated Entity is required to provide statutorily or otherwise, which may or may not result in financial loss or damage to the customer.
3. Grounds on which the complaint shall be considered as 'non-maintainability' has been detailed in Clause 10 of the RBI Scheme.
4. For redressal of grievance, the client/customer must first approach the Regulated Entity. If the Regulated Entity does not respond within a period of 30 days after lodgment of the complaint or rejects the complaint wholly/partly or if the client/customer is not satisfied with the response/resolution given by the Regulated Entity, then client/customer may proceed filing a complaint under the RBI Scheme.
5. It may be noted that the complaint should be made to the RBI Ombudsman not later than one year after receiving the reply of the Regulated Entity or, in cases where no reply is received, not later than one year and 30 days after the date of the representation to the Regulated Entity.
6. The complaint may be filed either online through '<https://cms.rbi.org.in>.' or on the dedicated e-mail 'crpc@rbi.org.in' or by written letter in prescribed format addressed to the 'RBI -Centralised Receipt and Processing Centre'

7. On due receipt of complaint, RBI Ombudsman may request for information or documents from the Regulated Entity which shall be represented by the Principal Nodal Officer in the rank of a General Manager in a Public Sector Bank or equivalent.
8. The proceedings of the RBI Ombudsman are summary in nature and promotes settlement through facilitation, conciliation or mediation and if required, an award is passed by the RBI Ombudsman.
9. Appeal against the award passed by RBI Ombudsman's is preferable to 'RBI - The Appellate Authority' constituted under the RBI Scheme.

In compliance with the RBI Scheme, the Company shall designate the Managing Director to act as the 'Principal Nodal Officer' of the Company and the contact details are as under:

Mr. Prasanna Patankar
Managing Director
Tel: (022) 66202200
Email id: grievance@stcipd.com

A copy of the RBI Scheme is available on the Company's website www.stcipd.com

12. Amendments/ Review of Policy

In the event of any regulatory modification(s)/amendment(s)/change(s) to any provisions contained in the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, SEBI Regulations etc., the provisions contained in the Regulatory Acts (as amended) will prevail to ensure consistency with the prevalent regulatory requirements.

The Board on its own and/ or due to any regulatory requirement/amendment can amend this Code, as and when deemed fit. The Board reserves the right to alter, modify, add, delete, or amend any of the provisions of the Code.

The Fair Practice Code will be reviewed annually, or in the interim, should there be a change/amendment in regulations.