

# Policy for dealing with Conflict of Interest in investment / trading by CRISIL Ratings Limited, Access Persons and other employees

Details	
Primary Owner	Compliance
Applies to	CRISIL Ratings Limited <sup>1</sup>

<sup>1</sup> Erstwhile CRISIL Limited prior to transfer of ratings business effective December 31, 2020

## **I. Overview**

This document describes the policy, procedures and restrictions to manage Conflict of Interest in investment / trading by CRISIL Ratings Limited ("CRL"), Access Persons and other Employees.

## **II. Applicability**

The policy shall apply to investment / trading in securities by CRL, Access Persons connected to CRL and in case of disclosures to all employees of CRL, carried out either individually or jointly for self/immediate relatives.

Other personnel may be included as per business/functional requirement.

## **III. Definitions**

**For the purposes of this document, the terms below shall have the following meanings:**

### **a) Securities**

"Securities" for the purpose of this Policy shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 or any modification thereof except units of a mutual fund (including exchange traded fund).

This Policy does not apply to investments in the nature of Insurance, Provident Fund, National Savings Schemes, Kisan Vikas Patra, gold, real estate, etc.

### **b) Immediate Relative**

'Immediate Relative' means spouse of the person. It also includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.

### **c) Access Persons**

The term "Access Persons" referred to in this document includes the Managing Director and Chief Executive Officer of CRISIL, CRO, all Rating employees, Independent Ratings Committee Members, RRR, Editorial, Compliance, Internal Audit, Global Data Service and Legal team members and persons who have access to Ratings Analytical Applications.

Off-roll personnel may be included as per business/functional requirement.

## **IV. Trading/Investment by CRL**

CRL shall ensure that there is no existence or appearance of existence of conflict of interest while making investment in any securities. CRL shall not make any investments in securities issued by companies which have credit ratings from CRL. It shall not utilize any Unpublished Price Sensitive Information ("UPSI") about any company from its credit ratings business in its investment decision making process.

## **V. Trading/Investments by Employees/Access Persons of CRL**

### **a. Disclosures**

Upon entering employment with CRL and thereafter on an annual basis, every Employee/Access Person of CRL must submit to the Compliance Officer a Holdings Statement with respect to the details of the applicable securities held by him/her (including the securities held by his/her immediate relative).

An Employee/Access Person of CRL shall within seven days submit his/her Holdings Statement as on the date of joining CRL and thereafter submit his/her holding statement annually as on December 31<sup>st</sup> within the next thirty days.

On completion of any and every transaction of applicable securities, the Employees/Access Person shall furnish the transaction details within seven days from the date of transaction on the Compliance Management Application for record.

#### **b. Prior Approval for transactions**

1. Each Access Person must obtain prior written approval to enter into a securities transaction. This includes all transactions of the Access Person and his/her immediate relative, including those through initial public offerings (IPOs).
2. An Access Person shall obtain such approval from the Compliance Officer.
3. The Compliance Officer shall obtain such approval from the Managing Director of CRL.
4. On receipt of the approval, the trade must be executed within seven days from the date of approval. If the trade is not executed or partially executed within seven days, then the Access Person of CRL must report the decision for not executing the transaction and if the requirement for executing the transaction persists take prior approval for the transaction again.
5. Pre-approval for all transactions in CRISIL Limited Securities shall require prior written approval from the Compliance Officer. The approval is valid for seven days.

#### **c. Restricted list**

1. In order to prevent trading in client securities based on UPSI, CRL shall restrict trading in securities of certain companies and designate such list of companies as a restricted list.
2. CRL shall put such companies on the restricted list where CRL has a business relationship and/or is privy to UPSI. Separate restricted lists shall be maintained for each business by CRL. The restricted lists shall be maintained by the Compliance Officer.
3. When a company is on the restricted list relevant to a business group, trading in securities of that company shall be blocked or dis-allowed at the time of pre-clearance.
4. All Employees/Access Persons are also prohibited from holding or trading in any securities issued by other Indian Credit Rating Agencies.

#### **d. Other restrictions**

1. All Access Persons of CRL who buy or sell securities shall not enter into an opposite transaction (Contra Trade) i.e. sell or buy during the six months following the prior transaction. CRL shares received by way of exercise of Employee Stock Option Schemes by Access Persons will not be treated as a Trade for the purpose of a Contra Trade.
2. The Contra Trade restrictions shall also apply to purchases in the primary market (Initial Public Offerings or IPOs). In the case of IPOs, the restriction would commence when the securities are actually allotted.
3. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the SEBI for credit to the Investor Protection and Education Fund administered by the SEBI under the Act.
4. No Access Persons shall take positions in derivative transactions related to the securities of CRISIL at any time.
5. Analyst involved in the rating process shall not have ownership of the securities of the company they rate.

6. Trading in debt mutual funds schemes rated by CRL shall be restricted for rating committee members, employees up to the level of Director (or any other employee as may be designated) who are involved in ratings of debt mutual funds schemes.

Note: Certain categories of employees (non-access persons) designated by functional role may be required to take prior approval for transactions, be subject to contra-trade restrictions and other requirements.

## **VI. General Guidelines**

1. The members of the Rating Committee shall upfront declare / disclose their interest, if any, to the Compliance Officer in the securities / instruments / facilities that are considered for rating by the CRL.
2. Employees shall:
  - a. at all times maintain high standards of integrity in the conduct of their business;
  - b. ensure fair treatment of their clients and not discriminate amongst them;
  - c. make appropriate disclosure to the clients of possible sources or potential areas of conflict of interest which would impair the ability to render fair, objective and unbiased service
  - d. not enter into any transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
  - e. not deal in securities while in possession of UPSI;
  - f. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
  - g. shall not communicate, counsel, or provide directly or indirectly any UPSI to others who can trade on such information.
3. Each Employee should be free from any interest or influence that would make it difficult to give CRL the Employee's best efforts and undivided attention.
4. Effective measures will be implemented to reduce opportunities for conflict such as information technology barriers to block or hinder the flow of information from one department to another when such flow of information is inappropriate.
5. This Policy is documented and reviewed based on CRISIL's Personal Trading Policy specifically to meet the requirement of SEBI Circular dated August 28, 2013.

## **VII. Violation**

1. Violation of the applicable provisions of the guidelines shall be ground for disciplinary action. Submission of the information as required of this document in no way authorizes an Employee/Access Persons of CRL to continue insider trading or ratifies the transactions executed earlier.

The information submitted by the Employee of CRL is for record and CRL is not responsible if the Employee contravenes the provisions of:

- a) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
- b) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

- c) Any other circular/regulation/guideline issued by SEBI from time to time.
2. Employees/ Access Persons who violate the applicable provisions of this document will be subject to disciplinary action by the company, which can include wage freeze, disgorgement of profits, penalty, suspension, clawback, termination etc.
  3. Any penal action by CRL shall not preclude the Securities and Exchange Board of India (SEBI) from taking any action in case of violation of any of SEBI's regulations.
  4. It is the policy of CRL to proactively co-operate with all Regulators and Law Enforcement Agents in their investigations including those involving its Employees.
  5. In case it is observed that there has been a violation of the SEBI (Prohibition of Insider Trading) Regulations, the Compliance Officer will inform Stock Exchanges where the concerned securities are traded. Any amount collected by CRL in this regard shall be remitted to SEBI for credit to the Investor Protection and Education Fund administered by SEBI.
- Any data provided to CRL to comply with this document will be kept confidential and will not be shared, except on a "need-to-know" basis or as required by law.

## **About CRISIL Ratings Limited**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ("CRISIL Ratings") is a wholly-owned subsidiary of CRISIL Limited ("CRISIL"). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisil.com/ratings](http://www.crisil.com/ratings)

## **CRISIL Privacy Notice**

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's Privacy Policy please visit [www.crisil.com](http://www.crisil.com).

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