

THE FIRST CUSTODIAN FUND (INDIA) LTD.

CIN No. : L67120WB1985PLC038900



REGD. OFFICE : 11 CAMAC STREET, KOLKATA - 700 017 • PHONE : 2282 2503

CORPORATE OFFICE : SURYA MAHAL 3RD FLOOR, NAGINDAS MASTER ROAD, FORT, MUMBAI-400 023. INDIA
TEL.: 6635 9001 • 6635 9002 • FAX: +91-22-2270 3539 • E-MAIL: ffcfil@rediffmail.com • WEB.: www.firstcustodianfund.com

Brief risk management and margining policy

Over the years, there hasn't been much change in our RM policy primarily because we are very conservative and cautious in our client's selection. Since May 2005, there has been clear relaxation from the regulators in terms of enabling brokers to use their prudent decision in terms of collection of margins and settlement funds from the clients as the T+2 environment demands an entirely fresh thinking in terms of risk management compared to older environment of longer settlement cycle.

For clients delivery based transactions, wherever necessary we take advance shares or funds as the case may be. In many instances we have done pre pay-in of large quantity of shares sold by clients in order to meet high margins. Another good feature that has been put in place by regulators is to bring the CM segment margining in line with FO segment i.e. advance margining system. That has brought a great relief to us brokers and reduced the risk of bad debts. However in our case in almost all Cash Market transactions we either receive the shares and funds (in some cases even advance delivery) on T+1 basis. So the risk is very well controlled.

For our NSE F&O segment we strictly follow the rule of advance margining system and have collected sizeable margins from our clients in the form of shares and cash as applicable. Our margin files for NSE F&O segment are regularly being uploaded to the exchange and reflect the true picture of margins lying with us for those respective clients. Also since we are ourselves a DP with CDSL, having most of our client's demat accounts with us; it becomes easier for us to monitor their financial capabilities. Further, in cases of new clients & clients wherever we feel necessary, we hold back their shares till payment is received.

FOR THE FIRST CUSTODIAN FUND (INDIA) LTD.,


Director

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Policy on Circulation of Unauthenticated News
Prohibition on circulation of unauthenticated News:
To Protect Investors from Unauthenticated News Circulation
by the Company's Employees / Temporary Staff or other
dealing person and by company Infrastructure.

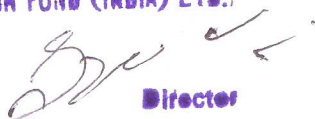
As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and SEBI circular Cir/ISD/1/2011 dated March 23, 2011, all SEBI registered market intermediaries are required to have proper internal code of conduct to govern the conduct of its Employees.

In view of same, **The First Custodian Fund (India) Ltd** Implements the code of conduct for communicating through various modes of communication. Company Directors/Officers/Employees/Temporary Staff/Voluntary Workers are prohibited from:

1. Circulation of unauthenticated news related to various Scrips in blogs / chat forums / e-mail etc.
2. Encouraging or circulating rumors or unverified information obtained from client, industry, any trade or any other sources without verification.
3. Either forwarding any market related news received in their official mail/personal mail/blog or in any other manner except after the same has been seen and approved by the Compliance Officer.
4. Our Company Directors/Officers/Employees/Temporary Staff/Voluntary Workers are restricted from circulation of rumors or unverified information obtained from client, industry, any trade or other sources without verification.
5. The Company Directors/Officers/Employees/Temporary Staff/Voluntary Workers will have to seek prior approval from Compliance Officer of **The First Custodian Fund (India) Ltd.** before forwarding any market related news received by them either in their official mail/personal mail/blog or in any other manner and all the reporting with regard to violation of the same shall be done to the designated Compliance Officer.
6. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for disciplinary action.
7. Access to Blogs/chat forums/messenger sites etc. has been restricted by **The First Custodian Fund (India) Ltd.** & is not allowed.

This code of conduct can be modified/amended/alterd as required from time to time in compliance of the relevant provisions/regulations in this regard.

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Client code modification Policy

With respect to the new SEBI directive on 'UCC changes and its implications'. The following is the modification policy of **The First Custodian Fund (India) Ltd**

- All terminal ID's of BSE except Terminal no 1
- For NSE-CM segment, the modification, if any, can be done through the **NSE's NCMS platform**, the access of which is with the Compliance officer. For NSE-F&O segment, the modification, if any, can be done through the Corporate ID which is accessible by the Director's only.
- No back-office UCC modification is allowed.
- In case of any genuine punching errors during trading session, the same would be transferred to the "ERROR" code. For that the particular ID would be activated **for modification only** through ADMIN terminal. In case of BSE, the reason for change, **if any**, would be submitted at the end of the day through BEFS site provided by exchange.
- 'ERROR' code would be created & uploaded in UCC site of BSE / NSE/ MCX-SX, which will incorporate details of the trading member including PAN number. The wrong code trades can be transferred to the ERROR code and further transferred to the correct code thereby squaring up the transaction in ERROR code. By doing so, we can avoid penalty, provided the ERROR code is squared up the same day. The difference would be borne by the wrongdoer.
- Institutional to Institutional trades can be modified without attracting penalty.

We can change code only in case of following.

- Communication Error and/or
- Punching Error and/or
- Typing error (similar client code/name)
- We can change code between relatives. Relative as defined under sec. 6 the Companies Act, 1956.

Even though we can change code, a penalty of 1% or 2% of trade value depending on quantum of changes for the day will be levied.

The Compliance officer keeps a track of the ERROR code modification on a daily basis.

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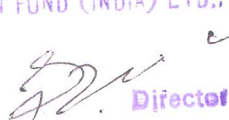
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CIR/MRD/DP/34/2012December 13, 2012

We hereby assure to put-in place a mechanism to limit the cumulative value of all unexecuted orders placed from their terminals to below a threshold limit set by the stock brokers.

We shall enhance monitoring of the operating controls to ensure implementation of the checks

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As per Exchange circular NSE/INSP/16536 dated December 15, 2010, NSE/INSP/27495 dated September 2, 2014.

Member is empowered to require, by notification, any category of associated persons as defined in the Regulations to obtain requisite certification(s).

Hence the following category of associated persons, i.e., persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:-

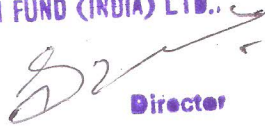
- (a) assets or funds of investors or clients,
- (b) redressal of investor grievances,
- (c) internal control or risk management, and
- (d) activities having a bearing on operational risk,

shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010, read with Annexures-I and II thereto.

Provided that the stock-broker/trading member/clearing member shall ensure that all persons associated with it and carrying on any activity specified in this paragraph as on the date of this notification obtain valid certification within two years from the said date of notification.

Provided further that a stock-broker/trading member/clearing member who employs any associated persons specified in this paragraph after the date of this notification shall ensure that the said associated persons obtain valid certification within one year from the date of their employment.

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Policy for Pre-funded Instrument Investment Acceptance

(Ref: SEBI circular no. CIR/MIRSD/03/2011 dated June 09, 2011 & NSE Circular No. NSE/INSP/2011/118)

In case of acceptance of pre-funded instruments of **Rs.50,000/- or more**, per day per client, such as, **Pay Order, Demand Draft, and Banker's Cheque** etc shall be accompanied by Bank's Certification.

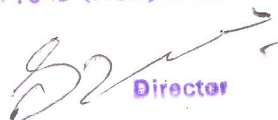
The mode of certification shall be as follows:

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument
- iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

b) In case of **ELECTRONIC FUND TRANSFER/NEFT/RTGS** of **Rs.50, 000/- or more** the transferee Bank giving the details of the Bank Account in which fund has been transmitted.

The Sub-broker/Authorised Person/client may e-mail the scanned copy of the Bank Certificate for fast credit of the amount and send the original bank certificate by post. Request all to appraise the client accordingly and expect customary co-operation from all.

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SURVEILLANCE POLICY

As per the requirement of Regulators Compliance Officer is in-charge of surveillance related all activities.

He/ She shall download the surveillance alerts from the Stock Exchange system on daily basis.

The process of Due Diligence & scrutinizing **each alert (client-wise/script-wise separately) should be carried out & completed within** one week.

He /She shall call for necessary documents of each Client, Scrutinize all documents for necessary analyses and prepare conclusion against each alert.

After reasonable analysis, he/she will report the conclusion against each alert to Designated Director. The same shall be reported to the Exchange within reasonable time.

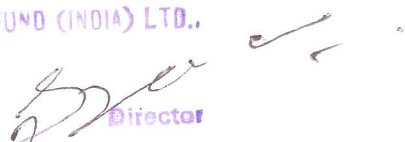
After due discussion, the necessary actions shall be taken under instructions from Designated Director, if required.

In case of any suspicious / manipulative undue activities of any Client, the same will be reported to the Exchange immediately.

Proper records of each alert and documents scrutinized should be maintained.

A quarterly MIS shall be put up to the Board of Directors on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at end of the quarter. Reasons for pendency shall be discussed and appropriate action taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.

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Guidelines for Unauthenticated News Circulation in the light of SEBI

circular Cir/ ISD/1/2011 dated March 23, 2011

Our employees are restricted from circulation of rumours or unverified information obtained from client, industry, any trade or other sources.

The employees will have to seek prior approval from the Compliance Officer before forwarding any market related news received by them either in their official mail/personal mail/blog or in any other manner. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for disciplinary action.

The employees are not allowed to access to blogs/chat forums/messenger sites (called by this or any other nomenclature) etc. However, the employees may be allowed to access these blogs/chat forums/messenger sites under strict supervision of the concerned authorities.

We are in the process of setting up the system for maintaining the Logs of any usage of Blogs/Chat forums/Messenger sites (even if called by any other nomenclature) for record purpose as specified by the respective Regulations, provided these are accessed from the offices of the member.

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We hereby ensure to obtain, as part of their Client Due Diligence policy, sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control these securities account.

The beneficial owner has been defined in the circular as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

SEBI has also prescribed uniform Know Your Client (KYC) requirements for the securities markets vide circular nos. CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011. The SEBI KYC Registration Agency (KRA) Regulations, 2011 have been notified and guidelines have been issued under these regulations from time to time.

A. For clients other than individuals or trusts:

4. Where the client is a person *other than an individual or trust*, viz., company, partnership or unincorporated association/body of individuals, we shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. more than 15% of the capital or profits of the juridical person where the juridical person is a partnership; or

iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official

B. For client which is a trust:

5. Where the client is a *trust*, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

6. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

D. Applicability for foreign investors:

7. Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

E. Implementation:

8. The provisions of this circular shall come into force with immediate effect. Intermediaries are directed to review their Know Your Client (KYC) and Anti-Money Laundering (AML) policies accordingly.

9. The Stock Exchanges and Depositories are directed to:

a. bring the provisions of this circular to the notice of the Stock Brokers and Depository Participants, as the case may be, and also disseminate the same on their websites;

b. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;

c. monitor the compliance of this circular through half-yearly internal audits and inspections; and

d. communicate to SEBI, the status of the implementation of the provisions of this circular.

10. In case of mutual funds, compliance of this circular shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors.

11. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

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CONFLICTS OF INTEREST POLICY

Introduction

The First Custodian Fund (India) Ltd (hereinafter "the Company") is registered as a Stock Broker with National Stock Exchange India Limited.

SEBI, vide its circular no. CIR/MIRSD/5/2013 dated August 27, 2013 has laid down the guidelines requiring registered intermediaries to establish and implement a conflicts of interest policy (hereinafter the "Policy").

To adhere to the above guidelines, the Company is required to take all reasonable steps to identify, eliminate or manage conflicts of interest. The Company is committed to acting honestly, fairly and professionally and in the best interests of its clients.

This Policy is not intended to, or does not create third party rights or duties nor does it form part of any contract between the Company and any client.

Purpose

The purpose of this Policy is to set out the Company's approach to identify and manage conflicts of interest which may arise during the course of its business activities.

This Policy aims at:

- a. identifying circumstances which may give rise to conflicts of interest entailing a material risk of damage to clients' interests,
- b. establishing appropriate procedures and systems to manage those conflicts, and
- c. ensuring the maintenance of such procedures and systems in an effort to prevent actual damage to clients' interests through conflicts identified.

Scope

The Policy applies to the Board of Directors and Employees of the Company (collectively referred to as "Employees") and relevant associated persons as defined in SEBI (Certification of associated persons in the securities market) Regulations, 2007 with respect to all interactions with the clients.

Potential conflicts of interest areas

1. The Company or employees or relevant associated person(s) is/ are likely to make a financial gain, or avoid a financial loss, at the expense of the client.
2. The Company or employees or relevant associated persons has/have an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in the outcome.
3. The Company or employees or relevant associated person(s) has/have a financial or other incentive to favor the interest of another client or group of clients over the interest of one client.
4. The Company or employees or relevant associated persons receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Procedures and controls to managing Conflicts of Interests

The procedures and controls that the Company follows to manage the identified conflicts of interests include the following:

1. Effective procedures to prevent or control the exchange of information in the activities involving a risk of conflict of interest where the exchange of that information is likely to harm the interest of one or more clients;
2. Measures to prevent or limit any person from exercising inappropriate influence over the way in which capital market services are carried out;
3. Chinese walls restricting flow of confidential and price sensitive information within the Company, physical separation of departments and sharing of information only on a "Need to Know Basis". The same shall be governed by 'Prevention of Insider Trading Policy' applicable at Group level.
4. A policy designed to limit the conflicts of interests arising from the giving and receiving of inducement, as per the gift policy applicable at Group level.
5. Appointment of Independent Internal auditors to ensure that appropriate systems and controls are maintained and their effectiveness or otherwise is being reported to the Company's Board of Directors.
6. Personal account dealing requirements applicable to employees in relation to their own investments needs an approval from the Compliance Team by submission of an Investment Request Form. The same shall be governed by 'Prevention of Insider Trading Policy' applicable at Group level.
7. Provisions governing access to electronic data as per the 'Mobile Phone Usage Policy' of the Company and 'Prevention of Circulation of Unauthenticated News'.
8. The employees are governed by measures laid down in the internal code of conduct and other policies which include the following:
 - a. restrictions on dealing in securities while handling client's mandate or while in possession of material non published information, or communicating such information while dealing on client's behalf, manipulating demand or supply of securities or influencing their market price. The same shall be governed by 'Prevention of Insider Trading Policy' applicable at Group level.
 - b. Restrictions on an incentive structure that encourages sale of products not suiting the client's risk profile.
 - c. Restrictions on divulgence of client's confidentiality unless required by or under the law.
 - d. The associated persons shall at all times maintain high standards of integrity in the conduct of their business followed by compliance reporting to Board of Directors and senior management.
9. The Company's Compliance team has oversight on the business to ensure that internal controls are appropriate.
10. The Board of Directors of the Company and the Compliance team share the responsibility for keeping the Policy in place. Any situation or transaction involving an actual or potential conflict of interest should promptly be reported to the Compliance team and obtain their determination as to whether a conflict exists.

11. Where a conflict arises and the Company is aware of it, it will disclose the conflict to the client prior to undertaking the business for that client or, if the Company does not believe that the disclosure is appropriate to manage the conflict, the Company may choose not to proceed with the transaction or matter giving rise to the conflict.

Violation and Consequences

Any non- adherence with the Policy will be subject to strict action.

Disclosure

The Company reserves the right to make review and / or amend its Policy and whenever it deems appropriate.

FOR THE FIRST CUSTODIAN FUND (INDIA) LTD.,



Director