



## **POLICY FOR DETERMINATION OF LEGITIMATE PURPOSES**

*[Under Regulation 3(2A) r/w Regulation 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015]*

**KFin Technologies Limited**

**SIGNATORIES**

<b>Version</b>	<b>Prepared by</b>	<b>Reviewed by</b>	<b>Confirmed by</b>	<b>Approved by</b>
1.0	<b>Ms. Alpana Kundu,</b> Company Secretary	<b>Mr. Vivek Mathur,</b> Chief Financial Officer	Audit Committee	Board of Directors
1.1	<b>Mr. Anshul Kumar Jain,</b> Chief Compliance Officer and Head – Legal	<b>Mr. Vivek Mathur,</b> Chief Financial Officer	-	Board of Directors

**VERSION CONTROL**

<b>Version</b>	<b>Date</b>	<b>Description</b>	<b>Description of Changes</b>
1.0	June 24, 2021	Policy for Determination of Legitimate Purposes	New Policy
1.1	February 16, 2023	Policy for Determination of Legitimate Purposes	Updation of definition of “Legitimate Purpose” and other minor changes

## 1. Introduction:

- 1.1 The Securities and Exchange Board of India (the “SEBI”) is a body established under the Securities and Exchange Board of India Act, 1992, as amended (the “SEBI Act”) to regulate the securities market in India. Sections 12A (d) and (e) of the SEBI Act prohibits persons from, directly or indirectly engaging in insider trading or dealing in securities while in possession of material or non-public information or communicating such material or non-public information to any person, in any manner which is in contravention of the SEBI Act or the regulations made thereunder.
- 1.2 KFin Technologies Limited (“Company”) is also required to comply with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended (the “Insider Trading Regulations”). Regulation 3(2A) read with Regulation 8 of the Insider Trading Regulations requires the board of directors of every company whose securities are listed on the stock exchange (such as the Company) to have a policy for determination of “legitimate purposes” for communication and procurement of UPSI, as a part of the “Codes of Fair Disclosure and Conduct” formulated under Regulation 8 read with Schedule A of the Insider Trading Regulations.

## 2. Purpose:

- 2.1 The objective of this Policy for Determination of Legitimate Purposes (the “Policy”) is to identify legitimate purposes, for performance of duties or discharge of legal obligations that can be considered as an exception for procuring or communicating UPSI, which is likely to materially affect the price of the securities of the Company.
- 2.2 This Policy also aims to raise awareness and minimize any potential breach of obligations by Insiders, under SEBI regulations.

## 3. Applicability of this Policy:

- 3.1 This Policy applies to all Insiders of the Company, and includes any person who is, (a) a Connected Person, and/ or (b) in possession of or having access to UPSI.
- 3.2 This Policy was approved by the Board on 24<sup>th</sup> June 2021 and is effective from 24<sup>th</sup> June 2021.

## 4. Definitions:

Capitalized terms used but not defined herein shall have the same meaning as assigned thereto in the Insider Trading Regulations, the SEBI Act, or the Companies Act, 2013 and rules and regulations made thereunder, as the case may be.

- 4.1 ‘**Connected Person**’ means, (i) any person who is or has during the six months prior to the concerned act been associated with the Company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the Company or holds any position including a professional or business relationship between himself and the Company whether temporary or permanent, that allows such person, directly or indirectly, access to UPSI or is reasonably expected to allow such access; and (ii) shall be deemed to include the following, unless the contrary is established:
  - a) an immediate relative of connected persons specified in clause (i); or
  - b) a holding company or associate company or subsidiary company; or
  - c) an intermediary as specified in section 12 of the SEBI Act or an employee or director thereof; or
  - d) an investment company, trustee company, asset management company or an employee or

- director thereof; or
- e) an official of a stock exchange or of clearing house or corporation; or
- f) a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or
- g) a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
- h) an official or an employee of a self-regulatory organization recognised or authorized by the SEBI; or
- i) a banker of the Company; or
- j) a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the Company, has more than ten per cent. of the holding or interest;

4.2 **‘Insider’** means any person who is (i) a Connected Person; or (ii) in possession of or having access to UPSI.

4.3 **‘Legitimate Purpose’** shall include sharing of UPSI in the ordinary course of business by an Insider, on a Need to Know Basis with promoters and their affiliates, collaborators, lenders including prospective lenders, customers, suppliers, merchant bankers, legal advisors, auditors, credit rating agencies, insolvency professionals, practicing company secretaries, registered valuers or other advisors, service providers or consultants, statutory authorities, etc. provided that such sharing has not been carried out with a view to evade or circumvent the prohibitions of the Insider Trading Regulations, this Policy and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

4.4 **‘Need to Know Basis’** shall mean that UPSI should only be ‘disclosed to’ or ‘procured by’ such persons who need to share or need access to the UPSI in furtherance of Legitimate Purposes or performance of duties or legal obligations and whose possession of such UPSI will not give rise to a conflict of interest or amount to the misuse of such UPSI.

4.5 **“Unpublished Price Sensitive Information”** or **“UPSI”** means any information, relating to the Company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:

- a) financial results;
- b) dividends;
- c) change in capital structure;
- d) mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions; and
- e) changes in key managerial personnel.

## 5. **Obligations under the Policy:**

5.1 No Insider shall communicate, provide, or allow access to any UPSI, relating to the Company or its clients or any other company or securities listed or proposed to be listed, to any person including other Insiders, except where such communication is in furtherance of Legitimate Purposes, performance of duties or discharge of legal obligations.

- 5.2 No person shall procure from or cause the communication by any Insider of UPSI, relating to the Company, its clients, or securities listed or proposed to be listed, except in furtherance of Legitimate Purposes, performance of duties or discharge of legal obligations, and unless expressly approved in writing by the Compliance Officer.
- 5.3 UPSI can only be shared on a Need to Know Basis and for Legitimate Purposes and not to circumvent the prohibitions of the Insider Trading Regulations, this Policy and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.
- 5.4 The determination of whether sharing of UPSI amounts to a Legitimate Purpose is a subjective assessment and would depend on the specific facts and circumstances of each case. Primarily, the following factors should be considered while sharing the UPSI:
- a) whether sharing of such UPSI is in the ordinary course of business of the Company;
  - b) whether sharing of such UPSI is in the interests of the Company or in furtherance of a genuine commercial purpose and necessary to be shared in order to complete any task/ activity/ deal; and
  - c) whether the nature of UPSI being shared is commensurate with the purpose for which access is sought to be provided to the recipient.
- 5.5 Any person in receipt of UPSI pursuant to a Legitimate Purpose shall be considered as an Insider for the purpose of the Insider Trading Regulations and due notice shall be given to such person to *inter alia*:
- a) maintain confidentiality of such UPSI, and not disclose such UPSI in any manner except in compliance with the Insider Trading Regulations;
  - b) not trade in the securities of the Company and/or its clients while in possession of the UPSI.

A structured digital database of the providers and recipients of UPSI, and the nature of UPSI, shall be maintained by the Compliance Officer in compliance with the requirements of the Insider Trading Regulations under consultation with the Chief Information Security Officer, and in accordance with ISO 27001 and Information Security Policies. The database shall be maintained with adequate internal controls and checks, such as time stamping and audit trails, to ensure non-tampering of the database, and shall be kept confidential. Towards this, the Compliance Officer may request and collect (i) the names of the provider and recipient(s) of the UPSI, (ii) the Permanent Account Number (PAN), or the equivalent identification proof authorized under law, and such other information as may be required to be obtained under the Insider Trading Regulations. Further, such database shall be maintained by the Company for a period of not less than 8 (eight) years, or as otherwise required under the Insider Trading Regulations. However, in the event of receipt of any information from SEBI regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.

## 6. System Audit:

The Company shall ensure an external audit of all its systems/ servers on an annual basis, to ensure the integrity of the system(s) and data maintained.

## 7. Process for sharing UPSI:

Insiders shall follow the below steps while sharing UPSI:

Step 1: If an Insider is in possession of UPSI and seeks to share it, then, they must satisfy themselves that sharing of such UPSI is for a Legitimate Purpose as determined under this Policy.

Step 2: Such Insider shall identify the persons with whom the UPSI is to be shared, and seek prior approval from the Compliance Officer.

Step 3: After prior approval from the Compliance Officer is obtained, the provider of UPSI shall notify the recipient that the information being shared is UPSI and they should maintain confidentiality of the same, and, if required, enter into a confidentiality/ non- disclosure agreement.

Step 4: Insiders may share UPSI only by way of (a) official Company email (and address it directly to the recipient without copying any other person), (b) hard copy, (c) any other electronic mode or device as approved in prior by the Compliance Officer, or (d) provide access to the information, data, server with due acknowledgement of receipt from the recipient.

Step 5: The provider and recipient of UPSI shall promptly provide their names along with PAN (or any other identifier where PAN is not available) and such other details as required for the purpose of maintaining the structured digital database of the Company to the Compliance Officer.

## **8. Penalty for contravention of this Policy**

8.1 Any Insider who comes to know of a violation of this Policy should immediately report the violation to the Compliance Officer for appropriate legal and/or disciplinary action.

8.2 The Company may take legal and/or disciplinary action against such Insider who holds or shares or procures UPSI in contravention of this Policy. Such action may include wage freeze, levy of penalty(ies), suspension and/ or termination, *et cetera*. A penalty of up to INR 1,00,000 (which excludes penalty that may be levied by SEBI, for violation of applicable laws/ regulations), may be levied by the Company at its discretion, for each violation of the Policy. Any amount collected by the Company under this clause shall be remitted to SEBI for credit to the Investor Protection and Education Fund administered by SEBI under the SEBI Act, 1992.

8.3 Any action by the Company does not preclude the SEBI or any other regulatory authority, or any court, from initiating action against such Insider, in the event of violation of the Insider Trading Regulations. In case it is observed that there has been a violation of this Policy, the Company shall inform the stock exchanges promptly in the form and manner prescribed by SEBI.

## **9. Amendment to the Policy**

9.1 The Company may make amend this Policy from time to time as may be considered appropriate.

9.2 In the event any provision of this Policy conflicts with any law, rules or regulations, such law, rules or regulations shall precede over such conflicting provisions.