

## **FAIR PRACTICE CODE**

### **1. Introduction**

RBI has vide circular dated September 28, 2006, and further circulars dated March 26, 2012 and February 18, 2013 prescribed guidelines on Fair Practices for all NBFC's on the basis of which Fair Practices Code shall be put in place by NBFC's with the approval of their Board. The guidelines broadly provide for processing of application for loans, loan appraisal, disbursement of loans including changes in terms and conditions and certain other conditions/aspects which an NBFC need to follow.

### **2. Background**

The Company being a Primary Dealer (PD), is registered with RBI under Section 45 IA of the Reserve Bank of India Act, 1934 as a Non-Banking Financial Company (NBFC) not accepting public deposits. The Company is also a Member of Primary Dealers Association of India (PDAI) and Fixed Income Money Market and Derivatives Association (FIMMDA) and therefore abides by the code of conduct framed by them. This Code has been framed in accordance with RBI guidelines and publications/codes/general market practice guidelines released by PDAI/FIMMDA.

### **3. Coverage**

As a Primary Dealer, the Company shall lend in Call/Notice/Term Money Market, CBLO and Reverse repo etc. and can deal in G-sec, T-bills, Bonds and other securities as permitted under the RBI guidelines applicable to Primary Dealers.

### **4. Internal Controls**

The company, being listed, has put in place suitable controls and procedures in respect of the dealings of the Company in the markets. All the Company personnel including dealers follow the controls and procedures. These controls and procedures are also being reviewed periodically.

The Company ensures that employees acting on its behalf are fully trained and completely aware of the rules and regulations, conventions, practices of the markets in which they deal. The Company ensures that all new employees authorized to use the NDS OM System are trained for at least 15 days, before being allowed to handle the system.

The Company will ensure that its authorized personnel conduct deals only from the normal place of dealing i.e. from the dealing room / PR Site / DR Site / Near Site and off premise deals are avoided. The Company will ensure that users accessing the NDS OM system are duly authorized. The Company will ensure that procedures laid down to prevent unauthorized access to the system (User ID, passwords) etc. are properly followed to prevent abuse of the system.

The Company will ensure that there is no conflict of interest when the dealers wish to make personal investments in the products which the institution is dealing in. The

Company will ensure that its authorized personnel conduct deals only from the normal place of dealing i.e. from the dealing room and the office premises and off premise deals are avoided.

Necessary basic due diligence and “Know Your Counterparty” checks are conducted before dealing.

Further, the Company has a system in place of recording all calls in the dealing room, as these prove to be invaluable in speedy resolution of differences and disputes. The recordings are generally kept for at least three months. 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.

#### **5. Dealing in Fixed Income Markets in accordance with Code of Conduct framed by FIMMDA/PDAI -**

- a. The Company will ensure that all employees who commit on behalf of the Company in the OTC market adopt a health practice of stating all terms and conditions to which the deal will be subject to. The Company will further ensure that any individual who commits on its behalf is acting within approved authority. The Company will stand by the commitment made by an individual acting on its behalf.

The Company will 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.

- b. Highest standards of integrity and just & fair principle will be followed by the company while trading both on its own account or behalf of 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 ensures that the bids/offers placed on the NDS OM System, are free from market manipulation and fraudulent practices.

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.

- c. Deals entered by the traders will be confirmed independently by the back-office. All confirmations will include the date of the deal, the name of the counterparty etc. The back office will 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 deal is sent out (as prescribed under RBI guidelines) and a return confirmation is asked for from the counterparty, wherever required. The confirmation provides a necessary safeguard against dealing errors. Confirmations are checked promptly.

- d. 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 time of conclusion of the deal.
- e. In case erroneous trade with a “big-figure” mistake trades get executed, Company will 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. Resolution of such cases is as per the directions given by the FIMMDA.

#### **6. Dealing in Money Market :**

(a) Lending in Call/Notice/Term Money Market: In this market, the Company can lend funds for a short duration to specified participants viz. Banks & other PDs subject to dealing /exposure limits fixed for the counter parties in accordance with guidelines laid down from time to time by its Board and in accordance with the various rules and regulations. The rate of interest would be market determined. PNB Gilts Limited is a member of Negotiated Dealing System (NDS) and all Call / Notice money market deals would be reported on NDS whether the counter party is a member or not. This ensures each deal is transparent and rates are market driven.

(b) Lending in Repo Market : The Company shall lend in Repo Market to Banks, PDs, NBFC’s, Mutual Funds, Housing Finance Companies, Insurance Companies and any listed company holding SGL Account with RBI or a Gilt Account with a custodian. Repo transactions shall be undertaken only in permitted securities by RBI from time to time. The dealing/exposure limits shall be fixed for the counterparties in accordance with the guidelines laid down from time to time by its Board and in accordance with the various rules and regulations. The repo transactions in SLR are settled in NDS OM through the SGL Account/CSGL Account maintained with the RBI with CCIL acting as a central counter party. Each deal thus is transparent and rates are market driven.

(c) Lending under CBLO Market : The Company as a Member of CBLO segment shall open a Constituent SGL (CSGL) Account with CCIL for depositing securities

offered as collateral for borrowing/lending funds. CCIL provides an automated dealing system to all the members of CBLO segment through Indian Financial network (INFINET) to enable them to borrow and lend funds. CCIL acts as a central counterparty for both borrowers and lenders and there is no settlement risk involved as CCIL guarantees all the trades. Thus, each deal is transparent and rates are market driven.

## **7. Grievance Redressal Mechanism**

Clients can forward their grievances / complaints at the registered address / branch address 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 will be addressed to the Back Office Incharge, who will be the nodal officer in respect of compliance with this code. All such complaints will be redressed within a month. Details of Nodal Officer is as under –

The Incharge  
Back Office  
PNB Gilts Ltd.  
Regd Office : 5, Sansad Marg, New Delhi – 110001  
Email Id : [backoffice@pnbgilts.com](mailto:backoffice@pnbgilts.com)  
Tel No. : 011-23325759/23325779  
Fax No. : 011-23325751

In case the grievance is not satisfactorily addressed, the same may be escalated to the Managing Director of the Company. If the complaint/dispute is not redressed within a period of one month, the customer may apply to “The General Manager, Reserve Bank of India, Department of Non Banking Supervision, 6, Sansad Marg, New Delhi – 110001”,.

The Company will 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, if any, at regular intervals.

## **8. Regulation**

The Fair Practice Code will be subject to modifications and amendments, subject to directives received from RBI from time to time. In case of any contradiction between the provisions contained in the Code and any other law or regulation/guidelines etc. laid down by any other regulatory authority like RBI, the latter shall prevail. In case of deals settled through CCIL, the bye-laws, rules and regulations of CCIL will be applicable.