Code of Conduct

I. SEBI Code of Conduct

1. Brickwork Ratings (BWR) shall make all efforts to protect the interests of investors..
2. BWR, in the conduct of its business, shall observe high standards of integrity, dignity and fairness in the conduct of its business.
3. BWR shall fulfill its obligations in a prompt, ethical and professional manner.
4. BWR shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.
5. BWR shall have a reasonable and adequate basis for performing rating evaluations, with the support of appropriate and in depth rating researches. It shall also maintain records to support its decisions.
6. BWR shall have in place a rating process that reflects consistent and international rating standards.
7. BWR shall not indulge in any unfair competition nor shall it wean away the clients of any other rating agency on assurance of higher rating.
8. BWR shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings. Further BWR shall also monitor closely all relevant factors that might affect the creditworthiness of the issuers.
9. BWR shall disclose its rating methodology to clients, users and the public.
10. BWR shall, wherever necessary, disclose to the clients, possible sources of conflict of duties and interests, which could impair its ability to make fair, objective and unbiased ratings. Further it shall ensure that no conflict of interest exists between any member of its rating committee participating in the rating analysis, and that of its client.
11. BWR shall not make any exaggerated statement, whether oral or written, to the client either about its qualification or its capability to render certain services or its achievements with regard to the services rendered to other clients.
12. BWR shall not make any untrue statement, suppress any material fact or make any misrepresentation in any documents, reports, papers or information furnished to the board, stock exchange or public at large.
13. BWR shall ensure that the Board is promptly informed about any action, legal proceedings etc., initiated against it alleging any material breach or non-compliance by it, of any law, rules, regulations and directions of the Board or of any other regulatory body.
14. BWR shall maintain an appropriate level of knowledge and competence and abide by the provisions of the Act, regulations and circulars, which may be applicable and relevant to the activities carried on by the credit rating agency. The credit rating agency shall also comply with award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.
15. BWR shall ensure that there is no misuse of any privileged information including prior knowledge of rating decisions or changes.
16.

a. BWR or any of his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media.

b. BWR shall not offer fee-based services to the rated entities, beyond credit ratings and research.

17. BWR shall ensure that any change in registration status/any penal action taken by board or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients and any business remaining outstanding is transferred to another registered person in accordance with any instructions of the affected clients/investors.
18. BWR shall maintain an arm's length relationship between its credit rating activity and any other activity.
19. BWR shall develop its own internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in the carrying out of their duties within the credit rating agency and as a part of the industry. Such a code may extend to the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance of conflict of interests, disclosure of shareholdings and interests, etc. Such a code shall also provide for procedures and guidelines in relation to the establishment and conduct of rating committees and duties of the officers and employees serving on such committees.
20. BWR shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.
21. BWR shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.
22. BWR shall ensure that good corporate policies and corporate governance are in place.
23. BWR shall not, generally and particularly in respect of issue of securities rated by it, be party to or instrumental for -

    a. creation of false market;

    b. price rigging or manipulation; or

    c. dissemination of any unpublished price sensitive information in respect of securities which are listed and proposed to be listed in any stock exchange, unless required, as part of rationale for the rating accorded.

II. IOSCO RECOMMENDED CODE OF CONDUCT

1. **QUALITY AND INTEGRITY OF THE RATING PROCESS**

A. Quality of the Rating Process

1. BWR shall implement and enforce written procedures to ensure that the opinions it disseminates are based on a thorough analysis of all information known to BWR that is relevant to its analysis according to BWR's published rating methodology.
2. BWR shall use rating methodologies that are rigorous, systematic, and, where possible, result in ratings that can be subjected to some form of objective validation based on historical experience.
3. BWR shall apply a given methodology in a consistent manner.

4. Credit ratings shall be assigned by BWR and not by any individual analyst employed by BWR. The rating shall be approved by the external rating committee of BWR and such committee shall consist of members who have appropriate knowledge and experience.

5. BWR shall maintain internal records to support its credit opinions till the rated instrument remains outstanding or until the rating is withdrawn by BWR.

6. BWR and its analysts shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of an issuer or obligation.

7. BWR shall ensure that it has and devotes sufficient resources to carry out high-quality credit assessments of all obligations and issuers it rates and subsequent reviews there of if any. BWR shall adopt reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. If the rating involves a type of financial product presenting limited historical data (such as an innovative financial vehicle), BWR shall make clear, in a prominent place, the limitations of the rating.

    1. BWR shall establish a review function made up of one or more senior managers with appropriate experience to review the feasibility of providing a credit rating for a type of structure that is materially different from the structures BWR currently rates. (BWR has already, in place, a criteria committee consisting of knowledgeable and experienced people for the review function who are not connected with the rating function.)

    2. BWR shall establish and implement a rigorous and formal review function responsible for periodically reviewing the methodologies and models and significant changes to the methodologies and models it uses. (The criteria committee of BWR carries out such a periodical review)

    3. BWR shall assess whether existing methodologies and models for determining credit ratings of structured products are appropriate when the risk characteristics of the assets underlying a structured product change materially. In cases where the complexity or structure of a new type of structured product or the lack of robust data about the assets underlying the structured product raise serious questions as to whether BWR can determine a credible credit rating for the security, BWR shall refrain from issuing a credit rating.

8. BWR shall structure its rating teams to promote continuity and avoid bias in the rating process.

B. Monitoring and Updating

9. BWR shall ensure that adequate personnel and financial resources are allocated to monitoring and updating its ratings. Except for ratings that clearly indicate they do not entail ongoing surveillance, once a rating is published, BWR shall monitor on an ongoing basis and update the rating by:

    a) Regularly reviewing the issuer's creditworthiness;

    b) Initiating a review of the status of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action (including termination of a rating), consistent with the applicable rating methodology; and,

c) Updating on a timely basis the rating, as appropriate, based on the results of such review.

Subsequent monitoring shall incorporate all cumulative experience obtained. Changes in ratings criteria and assumptions should be applied where appropriate to both initial ratings and subsequent ratings.

1. If BWR uses separate analytical teams for determining initial ratings and for subsequent monitoring of structured finance products, each team shall have the requisite level of knowledge and resources to perform their respective functions in a timely manner.

10. Where BWR makes its ratings available to the public, BWR shall publicly announce if it discontinues rating an issuer or obligation. Where BWR's ratings are provided only to its subscribers, BWR shall announce to its subscribers if it discontinues rating an issuer or obligation. In both cases, continuing publications by BWR of the discontinued rating should indicate the date the rating was last updated and the fact that the rating is no longer being updated.

C. Integrity of the Rating Process

11. BWR and its employees shall comply with all applicable laws and regulations governing its activities in each jurisdiction in which it operates.

12. BWR and its employees shall deal fairly and honestly with issuers, investors, other market participants, and the public.

13. BWR's analysts shall be held to high standards of integrity and BWR shall not employ individuals with demonstrably compromised integrity.

14. BWR and its employees shall not, either implicitly or explicitly, give any assurance or guarantee of a particular rating prior to a rating assessment. This does not preclude BWR from developing prospective assessments used in structured finance and similar transactions.

    1. BWR shall prohibit its analysts from making proposals or recommendations regarding the design of structured finance products that BWR rates.

15. BWR shall specify a person responsible for BWR's and BWR's employees' compliance with the provisions of BWR's code of conduct, and the applicable laws and regulations. This person's reporting lines shall be independent of the rating operations. (At BWR an independent compliance officer is already in charge of the compliance function).

16. Upon becoming aware that another employee or entity under common control with BWR is or has engaged in conduct that is illegal, unethical or contrary to BWR's code of conduct, a BWR employee shall report such information immediately to the individual in charge of compliance or an officer of BWR, as appropriate, so proper action may be taken.

2. INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. General

1. BWR shall not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on BWR, an issuer, an investor, or other market participant.

2. BWR and its analysts shall use care and professional judgment to maintain both the substance and appearance of independence and objectivity.

3. The determination of a credit rating should be influenced only by factors relevant to the credit assessment.

4. The credit rating BWR assigns to an issuer or security shall not be affected by the existence of or potential for a business relationship between BWR (or its affiliates) and the issuer (or its affiliates) or any other party, or the non-existence of such a relationship.

5. BWR shall maintain an arms length relationship between its credit rating activity and any other activity and avoid any conflict of interest. BWR does not have any consulting business that may present a possible conflict of interest. BWR shall ensure that its present ancillary business operations namely Education & Training Services and Research Services, which do not necessarily present conflicts of interest with the rating business, shall have in place procedures and mechanisms, to minimize the likelihood of arise of conflicts.

B. Procedures and Policies

6. BWR shall adopt written internal procedures and mechanisms to (1) identify, and (2) eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses BWR makes or the judgment and analyses of the individuals BWR employs who have an influence on ratings decisions. BWR shall disclose conflict avoidance and management measures it takes.

7. BWR's disclosures of actual and potential conflicts of interest shall be complete, timely, clear, concise, specific and prominent.

8. BWR shall disclose the general nature of its compensation arrangements with rated entities.

   a) Where BWR receives from a rated entity compensation unrelated to its ratings service, BWR shall disclose the proportion such non-rating fees constitute against the fees BWR receives from the entity for ratings services.

   b) BWR shall disclose if it receives 10 percent or more of its annual revenue from a single issuer, originator, arranger, client or subscriber (including any affiliates of that issuer, originator, arranger, client or subscriber).

   c) BWR shall encourage structured finance issuers and originators of structured finance products to publicly disclose all relevant information regarding these products so that investors and other rating agencies can conduct their own analyses independently of BWR contracted by the issuers and/or originators to provide a rating. BWR shall disclose in its rating announcements whether the issuer of a structured finance product has informed it that it is publicly disclosing all relevant information about the product being rated or if the information remains non-public.

9. BWR and its employees shall not engage in any securities or derivatives trading presenting conflicts of interest with BWR's rating activities.

10. In instances where rated entities (e.g., Governments) have, or are simultaneously pursuing, oversight functions related to BWR, BWR shall use different employees to conduct its rating actions than those employees involved in its oversight issues.

C. Analyst and Employee Independence

11. BWR shall structure reporting lines for its employees, compensation arrangements and periodic reviews there of to eliminate or effectively manage actual and potential conflicts of interest and to ensure that the policies and practices relating there to do not compromise the objectivity of the rating process.

    a) BWR's code of conduct shall also state that a BWR analyst will not be compensated or evaluated on the basis of the amount of revenue that BWR derives from issuers that the analyst rates or with which the analyst regularly interacts.

    b) BWR shall conduct formal and periodic review of compensation policies and practices for analysts and other employees to ensure that the policies and practices do not compromise the objectivity of the rating process.

12. BWR shall not have employees who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate.

13. No employee of BWR shall participate in or otherwise influence the determination of the rating of any particular entity or obligation if the employee:

    a) Owns securities or derivatives of the rated entity, other than holdings in diversified collective investment schemes /mutual fund units;

    b) Owns securities or derivatives of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes / mutual fund units;

    c) Has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest;

    d) Has an immediate relation (i.e., a spouse, parent, child, or sibling) who currently works for the rated entity; or

    e) Has, or had, any other relationship with the rated entity or any related entity thereof that may cause or may be perceived as causing a conflict of interest.

14. BWR's analysts and anyone involved in the rating process (or their spouse or minor children) shall not buy or sell or engage in any transaction in any security or derivative based on a security issued, guaranteed, or otherwise supported by any

entity within such analyst's area of primary analytical responsibility, other than holdings in diversified collective investment schemes / mutual fund units.

15. 2.15 BWR's employees shall not use the company's property for personal gain nor will solicit nor accept money, gifts or other benefits which are not customary in the normal social intercourse.

16. 2.16 Any analyst of BWR who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a rated entity or agent of such entity within his or her area of analytic responsibility), shall be required to disclose such relationship to the Compliance Officer.

17. 2.17 If an analyst is leaving BWR, he shall be required to inform whether he is joining a client or any of his allied entities which has been analyzed / rated by him in the last 6 months. In such an event a critical review of the work handled by the analyst would be taken up immediately and findings there of shall be presented to the rating committee.

3. RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS

A. Transparency and Timeliness of Ratings Disclosure

1. BWR shall convey in a timely manner its rating decisions regarding the entities and securities it rates and shall publicly disclose its policies for conveying ratings, reviews and updates.

2. BWR shall publicly disclose its policies for assigning / conveying ratings, reports and updates.

3. BWR shall indicate with each of its ratings when the rating was last updated and the methodology adopted for rating.

4. Except for "private ratings" provided only to the issuer, BWR shall disclose to the public, on a non-selective basis and free of charge, any rating regarding publicly issued securities, or public issuers themselves, as well as any subsequent decisions to discontinue such a rating, if the rating action is based in whole or in part on material non-public information.

5. BWR shall give sufficient information about its procedures, methodologies and assumptions including financial statement adjustments that deviate materially from those contained in the issuer's published financial statements so that outside parties can understand how a rating was arrived at by BWR. BWR shall give the meaning of each rating category and the definition of default or recovery, and the time horizon it used when making a rating decision.

   a) Where BWR rates a structured finance product, it shall provide investors and/or subscribers with sufficient information about its loss and cash-flow analysis so that the investor is well informed. BWR shall also disclose the degree to which it analyses how sensitive a rating of a structured finance product is to changes in its underlying rating assumptions.

   b) BWR shall differentiate ratings of structured finance products from traditional corporate bond ratings through a different rating symbology and shall also disclose how this differentiation functions. It shall clearly define a given rating symbol and apply it in a consistent manner.

c) BWR shall assist investors in developing a greater understanding of what a credit rating is, and the limits to which credit ratings can be put to use vis-à-vis a particular type of financial product that BWR rates. BWR shall clearly indicate the attributes and limitations of each credit opinion and the limits to which BWR verifies information provided to it by the issuer or originator of a rated security.

6. When issuing or revising a rating, BWR shall explain in its press releases and reports the key elements underlying the rating opinion.
7. Where feasible and appropriate, prior to issuing or revising a rating, BWR shall inform the issuer of the critical information and principal considerations upon which a rating will be based and afford the issuer an opportunity to clarify any likely factual misperceptions or other matters that BWR would wish to be made aware of in order to produce an accurate rating. BWR shall duly evaluate the response. Where in particular circumstances, BWR has not informed the issuer prior to issuing or revising a rating, it shall inform the issuer as soon as practical thereafter and, generally, shall explain the reason for the delay.
8. In order to promote transparency and to enable the market to best judge the performance of the ratings, BWR, where possible, shall publish sufficient information about the historical default rates of BWR rating categories and whether the default rates of these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among ratings given by different rating agencies. If the nature of the rating or other circumstances make a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, BWR shall explain this.
9. For each rating, BWR shall disclose whether the issuer participated in the rating process. Each rating not initiated at the request of the issuer shall be identified as such. BWR shall also disclose its policies and procedures regarding unsolicited ratings.
10. BWR shall fully and publicly disclose any material modification to its methodologies and significant practices, procedures, and processes.

B. The Treatment of Confidential Information

11. BWR shall adopt procedures and mechanisms to protect the confidential nature of information shared with them by the issuers and use them only for the purpose specified. BWR and its employees shall not disclose or use the information otherwise, unless it is specifically permitted and is consistent with applicable laws or regulations.
12. BWR shall use confidential information only for purposes related to its rating activities.
13. BWR employees shall take all reasonable measures to protect all property and records belonging to or in possession of BWR from fraud, theft or misuse.
14. BWR employees shall not engage in transactions in securities when they possess confidential information concerning the issuer of such security.
15. In preservation of confidential information, BWR employees shall familiarize themselves with the internal securities trading policies maintained by BWR, and certify their compliance every quarter of the financial year to the Compliance Officer.

16. BWR employees shall not selectively disclose any non-public information about rating opinions or possible future rating actions of BWR, except to the issuer or its designated agents.

17. BWR employees shall not share confidential information entrusted to BWR with employees of any affiliated entities that are not rating agencies. BWR employees shall not share confidential information within BWR except on an "as needed" basis.

18. BWR employees shall not use or share confidential information for the purpose of trading securities, or for any other purpose except for the conduct of BWR's business.

4. DISCLOSURE OF THE CODE OF CONDUCT AND COMMUNICATION WITH MARKET PARTICIPANTS

1. BWR shall disclose to the public its code of conduct and shall confirm conforming with the provisions of IOSCO provisions or deviations if any thereof, along with the reasons. It shall also say generally how it intends to enforce its code of conduct and shall disclose on a timely basis any changes to its code of conduct or how it is implemented.

2. BWR shall authorize the compliance officer or any other suitable officer to communicate with market participants and the public about any questions, concerns or complaints that BWR may receive.

3. BWR shall publish in a prominent place on its website BWR's code of conduct, a description of the methodologies it uses and information about its historic performance data.

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