

## POLICY ON SURVEILLANCE

### Objective:

The objective of this policy is to comply with the Rules, Regulations and Bye Laws prescribed by SEBI and Exchanges to monitor and analyse the Trading pattern of the client's in order to observe whether any transaction (buying / selling) done intentionally which will have an abnormal effect on the price and / or volumes of any share which is against the fundamental objective of the Securities Market.

NSE vide circular dated 07-Mar-2013 with Ref No NSE/INVG/22908, intimated that the Exchange would be downloading alerts based on the trading activity of the client for facilitating the effective surveillance mechanism.

Transactional alerts would be downloaded by exchange on member's portal.

Compliance officer would be responsible for monitoring alerts and would gather information from the relevant departments.

Following are the indicative alerts which would be provided:-

Sr No	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

\*The above transactional alerts are an indicative list. We may also formulate our own alerts in addition to the above mentioned type of alerts as per the requirement from time to time.

The below mentioned activities will be carried out as per the above mentioned NSE circular.

**Client(s) Information:** Due Diligence of client(s) on a continuous basis. Further, we will ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information we establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

Financial information also needs to be updated for all active clients and the following relevant documents pertaining to financial details to be obtained from clients.

1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for last 6 months
7. Copy of demat account Holding statement.
8. Any other relevant documents substantiating ownership of assets.

9. Self declaration along with relevant supporting.

Addition/ Modification of any parameter (correspondence address, contact details, email id, bank and beneficiary accounts) relating to client should also be updated immediately in the UCI database of exchange and the same shall be updated in back office also.

- **Analysis:** In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on the alerts received from the Exchange, we will:
  - a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
  - b. Seek documentary evidence such as Bank Statement / Demat Transaction Statement or any other documents to satisfy itself.
    - 1. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. Sources of funds in the bank statements to be verified. In case of securities In case of securities, Demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.
    - 2. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.
  - c. After analyzing the documentary evidences, including the Bank / Demat statement, we will record the observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations, the same will be reported to the Exchange within 45 days of the alert generation. Extension of the time period from the Exchange will be sought if required.

Monitoring:

The surveillance process shall be conducted under overall supervision of its Compliance Officer and based on facts and circumstances, he / she is required to take adequate precaution.

Designated directors / partners / proprietor / Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

- **MIS:** A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action taken.
- **Responsibility:** The compliance officer is completely responsible for the overall supervision of the surveillance activities and the Designated Directors as well as the Compliance Officer are responsible for the record maintenance and reporting of such activities.
- **Internal Audit:** Internal auditor shall review this policy, implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.