

# SURVEILLANCE POLICY AND MONITORING OF TRANSACTIONAL ALERTS

## Objective

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets and the company. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze the trading pattern of the clients 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.

## Background

BSE/NSE, Depositories and other Regulators would be downloading the alerts based on the trading activity of the client for facilitating the effective surveillance mechanism and directed the stock brokers and Depository Participants to frame a surveillance policy for the same.

The surveillance policy shall cover the maintenance and disposition of alerts received from exchanges, Depositories, the one generated by our systems and any other alerts to be monitored under the PMLA or any other Regulatory Authorities to safe guard the Business from unwanted elements.

## Policy

This policy is framed to monitor and take appropriate action on the various Alerts generated by the systems internally generated by us, Exchanges, Depository Participants and various Regulators.

## Transactional alerts

Based on the trading activities, risk profile and UCC details of the Clients, the suspicious trading alerts are generated by our systems based on the financial values, Risk Profile, Concentrated trading, Abnormal trading, Placing un wanted trades, Trading in illiquid shares, Commodities, Far off illiquid Futures and options, Transactions more than Rs.10 Lacs etc., Depository systems also generates Alerts based on the High Value Transactions and Frequent Off Market Trades.

The National stock Exchange Generates the Transactional Alerts on Continuous basis such Alerts includes the following:

Sr. No.	Transaction Alerts	Segment
1	Significantly increase in client Activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Client/Group of Client (s), deal in common scripts	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scripts	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 senior management along with the Principal Officer and the designated Director reviews the alerts and initiates appropriate measures, as per the policies and CDD measures and may also report to Exchanges, Depositories, SEBI, Any other Regulators or FIU IND as per the PMLA policies lay down by the company.

In order to have in-depth analysis of the above transactional alerts, the following due diligence shall be taken:

### Client(s) Information

Due Diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review.

The following Financial information also needs to be updated and monitored for all the active F&O 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.

In order to maintain the records of the transactional alerts received from the Exchanges, Depositories or the one generated at our end, And to analyze the trading activity of the Client(s)/Group of Client(s) or scripts identified based on above alerts, based on the type of Alerts, the following steps might be taken to review and dispose of the alerts:

1. Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
2. Financial details of the client.
3. Past trading pattern of the clients/client group.
4. Seek documentary evidence such as bank statement/demat transaction statement or any other
5. Documents to satisfy itself
  - In case of funds The Financial details of the client, Bank statements of the Client(s)/Group of Client(s) from which funds pay-in has been met, to be sought.
  - 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.
  - 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.
6. Other connected clients having common email/mobile number/address or any other linkages etc.
7. Other publicly available information

On receipt of the above information, after analyzing the reply and evidences, the Company shall record its observations for such identified transactions or Client(s)/Group of Client(s) and in case of any adverse findings/comments/suspicion are observed, the same shall be communicated to the Exchange or any other regulatory, As desired by the Exchange Or depository Or any Regulatory, As per the time specified by the them. In case analysis is taking time due to complexity, an extension may be sought to review the alert(s).

All other alerts generated for ascertaining the AML activities, as defined in the FIU website and the Guidelines of SEBI from time to time are monitored and reviewed.

### **Policy communication**

A copy of the approved policy shall be made available to Compliance officer, Head of risk and Head of Operations.

### **Monitoring and reporting**

The compliance officer would be monitoring the policy from time to time based on the guide lines of Regulators, Internal controls and the requirements of the business to safe guard the system.

The MIS on the surveillance activities shall be put up to the Board.

### **Review**

This policy may be reviewed as and when any changes are introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

The Director/Compliance Officer shall review the surveillance policy, its 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.

### **Approval Authority**

This surveillance policy is as approved by the Board of Directors at its Board Meeting on 24/04/2019.