

**SURVEILLANCE POLICY**

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### **1. Objective**

In accordance with BSE Notice No. 20130307-21 dated March 07, 2013, NSE Circular No. NSE/INVG/22908 dated March 07, 2013 and MCX-SX Circular No. MCX-SX/ID/1053/2013 dated March 08, 2013 trading members are required to frame surveillance policy for handling effective monitoring of trading activity of client. In compliance with the aforesaid circulars, we adopt and implement below mentioned Surveillance Policy covering areas mentioned in the aforementioned circular.

The policy has been approved by its Board of Directors in Board meeting held on April 22, 2013 at the Registered Office of the company:

### **2. What is Surveillance?**

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In order to ensure investor protection and to safeguard the integrity of the markets, it is imperative to have in place an effective market surveillance mechanism. The main objective of surveillance function is to help maintain a fair and efficient market for securities.

### **3. Receipt of Alerts from Exchanges / generated on E-Boss , ENIT & FTP**

In order to facilitate effective surveillance mechanisms at the Member level, the Exchanges provides following mandatory transactional alerts along with other alerts to the trading members through e-BOSS (BSE) and ENIT (NSE), "SFTP Root path\Trading Member ID\Date Folder" (MCX-SX). This facilitates the trading members to effectively monitor the trading activity of their clients.

Types of Transactional Alerts provided by Exchange are as follows:

Sr. No.	Transactional Alerts	Segment
1.	Significant increase in client activity	Cash
2.	Sudden trading activity in dormant account	Cash
3.	Clients/Group of Client(s), dealing in common	Cash
4.	Client(s)/Group of Client(s) concentrated in a few	Cash
5.	Client(s)/Group of Client(s) dealing in scrip in	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	Derivatives
13.	Order book spoofing i.e. large orders away from	Cash

BSE - Alerts can be downloaded by log-in into e-Boss Surveillance System.

NSE - Alerts can be downloaded by log-in into ENIT- ENIT Compliance- Investigation Department - Transactional Alerts.

MCX-SX - Alerts can be downloaded through SFTP Root path\Trading Member ID\Date Folder

#### **4. Suspicious / Manipulative activity identification and reporting process**

Suspicious / Manipulative activity identification and reporting process include gathering of client information, analysing client activity, seeking documentary evidences if required, monitoring the trading activities, record maintenance and reporting.

- **Client Information:**

- o Implementing Anti Money Laundering Policy Vis a Vis KYC standard for New Clients Acceptance and implementing high standard of due diligence process.
- o Periodic updating of client database and having system to do continuous client due diligence.

- o Identification of Beneficial Ownership
- o Identification of Multiple Accounts/common Accounts/group of Clients
- o Analysing common emails, mobile numbers, address and other linkages
- o Other publicly available information
- **Analysis Client Activity**

Clients' trading pattern or activity shall be analysed based on Alert received /generated through exchange system. There are alerts which require only client confirmation or explanations or trading history analysis and there are other alerts which require documentary evidence viz. Bank Statement or Demat Statement for +/- 15 Days as per Exchange requirements.

Here, Transaction Alerts falling under Sr. No. 1 & 2 requires only trading history analysis, last 12 months trading turnover analysis, turnover v/s income range comparison and client confirmation on sudden activity in dormant account. Member shall take also reasonable steps to analysis these type of alerts and shall be required to close the status of alerts or report the exchange in case of any adverse findings.

In case of transactional alerts Sr. No. 3 to 13, apart from analyzing trading history and income comparison, member shall take explanations regarding alerts received from the exchange and also ask for +/- 15 Days' Bank statement in case of Funds Movement and Demat Statement in case of movement of shares and Responsible person shall verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted or not?

Member shall record observation for such transactional alerts and maintain records with regard to such analysis. In case, client failed to provide explanation or documentary evidences, such client(s) shall be deactivated and shall be activated only after they satisfy all requirement of this policy.

**5. Time frame for disposition of alerts**

All the alerts downloaded will be analysed by Operations Manager & Compliance Manager keeping in view Client Type, Risk Categorization, Income Range Selected and Past Trading Pattern. In case of any adverse findings, same shall be informed to Exchange with comments within 45 days of receipt of Alert. In case of delay in disposition, written extension to be taken from respective exchange and reason for the same shall be documented.

**6. Record Maintenance**

Member shall record observation for such transactional alerts and maintain records with regard to such analysis. Record must be maintained as per statutory time frame. A quarterly MIS shall be put up to the Board in case of any adverse findings for further action.

**7. Supervision of Compliance Office**

In case of any alert downloaded which is suspicious, same shall be informed to Compliance Officer. Any Corrective measures/action to be taken shall be under the supervision of Compliance Officer. Designated directors / 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.

**8. Effective Date**

This policy shall be made effective from 15th May, 2013 or such extended period as exchange may prescribe.