# SURVEILLANCE POLICY

**OBJECTIVE:**

In accordance with BSE Notice No. 20130307-21 dated March 07, 2013, NSE Circular No. NSE/INVG/22908 dated March 07, 2013, MCX-SX Circular No. MCX-SX/ID/1053/2013 dated March 08, 2013, and subsequent SEBI Master Circular for Stock Brokers, trading members are required to frame a surveillance policy for handling effective monitoring of trading activity of clients. In compliance with the aforesaid circulars, we adopt and implement the below-mentioned Surveillance Policy covering areas mandated by SEBI and Stock Exchanges.

**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 the surveillance function is to help maintain a fair and efficient market for securities.

**RECEIPT OF ALERTS FROM EXCHANGES / GENERATED ON e-BOSS, ENIT & INTERNAL SYSTEMS:**

In order to facilitate effective surveillance mechanisms at the Member level, the Exchanges provide mandatory transactional alerts along with other alerts to the trading members through e-BOSS (BSE), ENIT / Member Portal (NSE), and internal back-office surveillance modules. This facilitates the trading members to effectively monitor the trading activity of their clients.

**Types of Transactional Alerts provided by Exchanges / Generated Internally:**

| 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 scrips | Cash |

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|---|---|---|
| 4. | Client(s)/Group of Client(s) 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 |

- BSE: Alerts can be downloaded by logging into the e-Boss / BSE Portal.
- NSE: Alerts can be downloaded by logging into ENIT -> Compliance -> Investigation Department -> Transactional Alerts.

**SUSPICIOUS / MANIPULATIVE ACTIVITY IDENTIFICATION AND REPORTING PROCESS:**

Suspicious / Manipulative activity identification and reporting process include gathering client information, analyzing client activity, seeking documentary evidence if required, monitoring trading activities, record maintenance, and reporting.

**Client Information & Due Diligence:**

- Implementing Anti Money Laundering Policy vis-à-vis KYC standards for New Client Acceptance and implementing high standards of due diligence process.

- Periodic updating of client database, income proofs, and continuous client due diligence (Re-KYC).

- Identification of Beneficial Ownership (UBO).

- Identification of Multiple Accounts / Common Accounts / Group of Clients based on common email IDs, mobile numbers, bank accounts, pan linkages, and address matching.

**Analyzing Client Activity:**

Clients' trading patterns or activity shall be analyzed based on alerts received/generated through Exchange/Internal systems.

Alerts falling under Sr. No. 1 & 2 require trading history analysis, last 12 months' trading turnover analysis, turnover vs. income range comparison, and client confirmation on sudden activity in dormant accounts. Member shall take reasonable steps to analyze these alerts and close them or report to the Exchange in case of adverse findings.

In case of transactional alerts Sr. No. 3 to 15, apart from analyzing trading history and income comparison, the member shall seek written explanations from the client regarding the alerts and ask for +/- 15 Days' Bank Statement (for funds movement) and Demat Statement (for movement of shares). The Designated / Responsible Person shall verify whether the funds/securities used for settlement actually belong to the client.

The Member shall record observations for all alerts and maintain verifiable records. If a client fails to provide a satisfactory explanation or documentary evidence, such client's trading access shall be temporarily suspended/deactivated until full compliance.

**TIME FRAME FOR DISPOSITION OF ALERTS:**

- Internal Processing & Analysis: All alerts downloaded shall be processed and analyzed within 30 days of receipt from the Exchange.

- Reporting to Exchange: In case of any adverse/suspicious findings, a detailed report with comments and client responses shall be submitted to the respective Stock Exchange within 45 days of alert receipt.

- Extension Request: In case of unavoidable delays in obtaining client documents, a written extension request shall be submitted to the Exchange with reasons documented internally.

**RECORD MAINTENANCE:**

The Member shall record observations for all transactional alerts processed, closed, or escalated. All processing logs, client communications, bank/demat statements obtained, and reporting records shall be preserved in electronic/physical format for a statutory minimum period of 5 years (or as mandated by SEBI/Exchanges). A quarterly MIS report shall be placed before the Board of Directors detailing alerts generated, closed, and reported.

**SUPERVISION OF COMPLIANCE OFFICER & BOARD:**

Designated Directors and the Compliance Officer shall oversee all surveillance activities carried out by the Trading Member, ensuring timely reporting and record maintenance. Suspicious activities falling under money laundering parameters shall also be escalated for Suspicious Transaction Report (STR) filing under PMLA.

**REVIEW OF THE POLICY:**

This policy shall be reviewed annually or as and when changes/directives are introduced by SEBI, Stock Exchanges, or regulatory authorities.