

# **Surveillance Policy**

**Updated As On February 13, 2023**

## **1. Objective**

This document specifies the surveillance mechanism and procedures to analyse transactional alerts. The policy and procedures laid down herein shall help in identifying abnormal Trading Pattern and effective monitoring and reporting of any adverse transactions on timely basis.

## **2. Update of Client Information**

Member will be conducting continuous due-diligence of its client on following parameters,

- a.** Yearly update of financial disclosure of active clients
- b.** Re-verification of contact details of active clients
- c.** Contact details verification in case of re-activation of dormant account
- d.** Periodic risk profiling of clients
- e.** Re-verification of KYC detail of client
- f.** Categorisation of client

## **3. Type of Alert**

- A.** Alert received from the exchange
- B.** Internal alert : Monitoring clients' transaction based on following parameters,
  - Client accounting for significant percentage of the total trading activity in a scrip / contract as compared to the market
  - Client dealing after significant time gap accounting for Significant percentage of the total trading activity in a scrip / contract as compared to the market
  - Client frequently dealing in small quantity
  - Disproportion of trading activity as compared with declared income
  - Frequent change in KYC detail
  - Trading activity prior to price sensitive announcement by the company
  - Selling concentration in the scrip forming part of "For information list" or "Current Watch list" made available by the exchange time to time
  - Consistency in profit/loss
  - Significant Trading activity in scrips by client who has pledged the shares of the same scrip
  - Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off market transactions

### **Analysis of transactional alerts**

All the transactional alerts will be analysed to identify abnormal transactions based on trading pattern, declared income, source of fund, transaction history, association amongst the client etc. Analysis will involve following process,

- Check declared income and available collateral
- Reconfirmation of KYC detail
- Check past trading pattern/behaviour of the client
- Check whether transaction was of delivery or intraday transaction
- Client's motive behind such transaction
- Check of client is HNI and risk taking capacity of the client
- Check clients frequency of trade and trading pattern, towards,
  - o Whether delivery or intraday transaction
  - o Volume of transaction during past 3 months
  - o Frequency of trade
  - o Mode of order placement whether internet or over the phone
  - o Whether account is managed by trading POA holder
- Calling for explanation from the client, if required for the analysis, along with Bank Transaction statement of +/- 15 days of the transaction date to analyse

### **Monitoring and Reporting**

- After analysing the documentary and other evidences, observation are recorded for future reference and reporting purpose
- With respect to the transaction alerts received from exchange, status thereof (verified & closed /verified and sent to exchange) is updated within 45 days at the exchange portal
- Adverse observation on internal alerts to be reported to the exchange within 45 days from the date of alert generation
- In case sufficient details are not available with 45 days of alert generation , extension request to be filed with the exchange
- Quarterly MID alerts to be presented to the Board /Audit Committee/ Management Committee along with observation against each of them and pendency status , if any
- Surveillance policy and all alerts with respective observation to be presented to the internal auditor for its review