

**POLICY ON SURVEILLANCE ALERTS**

Reference Circular:

NSE Circular reference No.	Date of circular
NSE/ INVG/ 22908	7th Mar, 2013
NSE/ SURV/ 40148	5th Feb, 2019
NSE/ SURV/ 48818	1st July, 2021

National Stock Exchange of India Limited (NSE) vide its above-mentioned circulars has directed the trading members to frame a surveillance policy for effective monitoring of trades executed through them based on alerts provided by the exchange.

**Alerts:**

In order to facilitate effective surveillance mechanisms, the Company shall download the below mentioned alerts provided by the exchange.

**Transactional Alerts to be provided by the Exchange:**

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	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e., large orders away from market	Cash

On the basis of the above alerts received from the Exchange and alert generated in addition to the above the following activity will be required to be carried out by the Compliance Officer

## 1) Clients Information:

They shall carry out Due Diligence of client and shall ensure that the key KYC parameters are updated on a periodic basis and latest information of the client is updated in Unique Client Code (UCC) database of the Exchange. Based on this information Compliance Officer shall try to establish groups / association amongst clients to identify multiple accounts / common account / group of clients, if any.

## 1.1 The indicative applicable themes.

1.1.1 Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.

# ASHISH VAID

MEMBER: NATIONAL STOCK EXCHANGE OF INDIA (SEBI Regn. No. INZ000261612)

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1.1.2 Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.

1.1.3 Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip / contract.

1.1.4 Disproportionate trading activity vs reported income / Net worth.

1.1.5 Frequent changes in KYC submitted by clients.

1.1.6 Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.

1.1.7 Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. (Reference Exchange circular no. NSE/INVG/45517 dated August 30, 2020).

1.1.8 Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. (Reference to Exchange circular no. NSE/INVG/2019/40175 dated February 07, 2019).

1.1.9 Significant trading activity in scrips by client who has pledged the shares of same scrip.

1.1.10 In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address.

## 2) Analysis:

If he feels so, he may carry out the following procedure:

a. To seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.

b. To Seek documentary evidence such as bank statement / demat transaction statement or any other documents as below:

a. 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. 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.

b. 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 belongs to the client for whom the trades were transacted.

He shall review the alerts based upon:

1) Type of the alerts downloaded by the exchange

2) Financial details of the clients

3) Past Trading pattern of the clients/ client group

4) Bank /Demat transaction details

5) Other connected clients in UCC (common email/mobile number/address, other linkages, etc)

6) Other publicly available information.

c. After analyzing the documentary evidence, he should record its observations for such identified transactions or Client(s) / Group of Client(s) in the Register maintained for the purpose. In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation.

## 3) Monitoring, Obligations and reporting:

All alerts generated shall disposed-off within 45 days, and any delay in disposition, reason for the same shall be documented. Compliance team shall monitor trading activity of the clients including intra-day activity. In case of any Suspicious or any Manipulative activity is identified, the same will be mentioned in the Register and should be reported to the Stock Exchanges within 45 days of the alert generation. Compliance team shall prepare quarterly MIS and shall put to the Proprietor on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed of during the quarter and

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pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action will be taken. Also, the proprietor shall be apprised of any exception noticed during the disposition of alerts. The surveillance process shall be conducted under overall supervision of Compliance Officer. Proprietor would be responsible for all surveillance activities, record maintenance and reporting of such activities.

Internal auditor 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.

### 5) Policy communication

A copy of this policy shall be made available to all the relevant staff, dealers, branch-In-charge, Compliance Officer and other stakeholders for their information and any change should be communicated to them.

### 6) Review

The Policy shall be reviewed on instruction of the proprietor or on issue of new circular/directive issued by Regulatory/ Statutory authorities.

Updated on 15-07-2021