

## **SURESH RATHI SECURITIES PRIVATE LIMITED**

### **SURVEILLIANCE POLICY**

#### **A. Background:**

We along with our Employees/Branch-Offices/Sub-Brokers/Authorized Persons are the first touch point in the securities market for investors and are expected to have reasonably fair understanding about their client(s) and its trading activity. Thus, Exchanges/regulators have entrusted on us the first level of the responsibility to ensure that neither us nor our client(s) are misusing the trading system by indulging in manipulation or any other illegal activities which can cause risk to the integrity of the market and distorts the equilibrium of the market.

#### **Objectives of framing a surveillance policy covering**

- Alerts to be generated.
- Threshold limits and the rationale for the same.
- Review process.
- Time frame for disposition of alerts and if there is any delay in disposition, reason for the same should be documented.
- Suspicious/Manipulative activity identification and reporting process.
- Record Maintenance.

#### **B. Surveillance framework:**

It is mandatory under the exchange/regulatory directives to have in place appropriate Surveillance Policies and Systems to detect, monitor and analyze transactions. For the above we have to co-relate the transaction data with their clients' information/data and Detect suspicious/manipulative transactions is an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In-order to implement the exchange/Depository directives, they have provided us following alerts which have to be reviewed by us. In addition to this we have also developed in-house surveillance software. Both types of alerts are processed within 30 days as DP and 45 days as stock broker from the date of alerts downloaded by the Exchanges/Depository as well as alerts generated by our end. The details of both these have been enumerated below:

## **I. EXCHANGE ALERTS**

<b>Sr.No.</b>	<b>Transactional Alerts</b>	<b>Segment</b>
<b>1</b>	Significantly increase in client activity	Cash
<b>2</b>	Sudden trading activity in dormant account	Cash
<b>3</b>	Clients / Group of Client(s), deal in common scrips	Cash
<b>4</b>	Client(s) / Group of Client(s) is concentrated in a few illiquid scrips	Cash
<b>5</b>	Client(s)/Group of Client(s) dealing in scrip in minimum lotsize	Cash
<b>6</b>	Client / Group of Client(s) Concentration in a scrip	Cash
<b>7</b>	Circular Trading	Cash
<b>8</b>	Pump and Dump	Cash
<b>9</b>	Reversal of Trades	Cash Derivatives
<b>10</b>	Front Running	Cash
<b>11</b>	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
<b>12</b>	Order book spoofing i.e. large orders away from market	Cash

## **CDSL/NSDL Alerts:**

<b>Sr. No.</b>	<b>Indicative themes:</b>
1	Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
2	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4	Frequent Off-Market transfers by a client in a specified period
5	Off-market transfers not commensurate with the income/Networth of the client.
6	Pledge transactions not commensurate with the income/Networth of the client.

7	Off-market transfers (High Value) immediately after modification of details in demat account
8	Review of reasons of off-market transfers provided by client for off-market transfers vis- à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
9	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
10	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

## **II. IN-HOUSE ALERTS**

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.
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.
3. Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip /contract.
4. Disproportionate trading activity vs reported income / Net worth.
5. Frequent changes in KYC submitted by clients.
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.
7. Client / group of clients having significant selling concentration in the scrips, forming part of 'For Information list' or 'Current Watch list'.
8. Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities.
9. Significant trading activity in scrips by client who has pledged the shares of same scrip.
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.

**11. Related to DP Operation:**

Significant trading activity in scrips where client has pledged shares or has significant holding or as frequent off-market transactions.

**12. Related to Internet based Trading:**

Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

**C. Obligation w.r.t. client due diligence:**

1. We will carry out the Due Diligence of their client(s) on an on-going basis.
2. We shall ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. We shall also ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in Depository System.
3. Based on available information, we shall establish groups / association amongst clients, inter alia, to identify multiple accounts / common account / group of clients.

**D. Obligations**

**I. w.r.t. processing of alerts:**

1. We shall obtain trading rationale and necessary documentation including bank statements, demat statements for analysing / processing the alerts.
2. After analyzing the documentary evidences, we shall record its observations for such identified transactions of its Client / Group of Clients.
3. With respect to the transactional alerts downloaded by the Exchange, we shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken is updated within 45 days, in the Member Surveillance Dashboard.
4. With respect to the alerts generated, we shall report instances with adverse observation, along with details of action taken, to the Exchange within 45 days of the alert generation.

**II. W.r.t. DP Operations:**

1. We will maintain register (electronic/physical) for recording of all alerts generated.
2. While reviewing alerts, we shall obtain transaction rationale, verify demat statement and also obtain supporting documents as required from the client.
3. After verifying the documentary evidences, we will record its observations for such identified transactions of its Client.

4. With respect to the transactional alerts provided by Depository, we shall ensure that all alerts are reviewed, and status thereof (Verified & Closed / Verified & Reported to Depository) including action taken is updated within 30 days. Detailed procedure w.r.t sharing of alert by Depository with DPs and report submission by DPs in this regard will be provided separately.

5. With respect to the alerts generated at the our end, we shall report instances with adverse observation, along with details of action taken within 7 days of the date of identification of adverse observation.

**E. Obligation of Compliance officer, Designated Director / Partners / Proprietors:**

1. The surveillance activities shall be conducted under overall supervision of its Compliance Officer.

2. A quarterly MIS shall be put up to the Designated Director / Partners / Proprietor on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the Designated Director / Partners / Proprietor shall be apprised of any exception noticed during the disposition of alerts.

3. Designated Directors / Partners / Proprietor would be responsible for all surveillance activities carried out.

**F. Obligation of Quarterly reporting of status of the alerts generated to Exchanges/Depository:**

We will provide duly approved status of the alerts on a quarterly basis, in the prescribed format to the Exchange/Depository within 15 days from end of the quarter

**G. General:**

1. A daily reporting of the alerts to the designated director/Partner/Proprietor and principal officer.

2. Quarterly MIS to the Board of Directors/Partner/Proprietor if there are alerts as to the number of alerts received, disposed off during the quarter and pending at the end of the quarter and the reasons for pendency should be discussed and appropriate action taken for disposing of the alerts.

3. The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer. Compliance Officer of the Company and their team would be to be responsible for all surveillance activities carried out for the record maintenance and reporting of such activities under the supervision of the Designated Director.

4. 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. This policy would be made available to the internal auditors and regulators during the course of audits or as and when demanded.

6. This policy will be reviewed periodically at least once in a year.
7. All the records related to surveillance will be maintained as per regulatory / PMLA requirements.

**For Suresh Rathi Securities Pvt Ltd**

**Director**

**Date: 31.03.2022**

**Place: Mumbai**