

## Policy for Surveillance

As per the directives of the Bombay Stock Exchange vide its Notice No. 20130307-21 dated March 07, 2013 and the National Stock Exchange vide its Circular No. NSE/INVG/22908 dated March 07, 2013 the trading members are required to frame a surveillance policy for effective monitoring of trading activities of clients on exchange.

We adopt and implement the following surveillance policy covering areas in confirmation with the above circulars.

The policy has been approved by the Board of Directors in their meeting held on April 26, 2013.

The exchange provides the following transactional alerts based on the trading activity on the exchange to facilitate the effective surveillance mechanism at the member level.

<b>Transactional Alerts</b>	<b>Segment</b>
Significant increase in client activity	Cash
Sudden trading activity in dormant account	Cash
Clients/Group of Client(s), dealing in common scrips	Cash
Client(s)/Group of Client(s) concentrated in a few illiquid scrips	Cash
Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
Client / Group of Client(s) Concentration in a scrip	Cash
Circular Trading	Cash
Pump and Dump	Cash
Wash Sales	Cash & Derivatives
Reversal of Trades	Cash & Derivatives
Front Running	Cash
Concentrated position in the Open Interest / High Turnover concentration	Derivatives
Order book spoofing i.e. large orders away from market	Cash

The above transactional alerts are an indicative list. Own alerts in addition to the above mentioned type of alerts may be formulated as per the surveillance policy.

In relation to the client information

- the Due Diligence of client on continuous basis
- periodic updating of KYC and UCC client database
- identify the multiple accounts/common accounts/group of accounts
- implementing the AML policy and identification of clients accordingly
- other available information

The trading patterns of the clients' activities on the exchange to be analyzed based on the alerts generated and received through exchange system.

The explanation shall be required from such identified clients' or group of clients' for such transactions. Documentary evidence wherever necessary should be taken and analyzed viz the Demat account holding and transaction statement, Bank statements wherein the funds pay-in has been met in case of funds and the securities pay-in has been met in case of securities.

The period of the above statements may be at least 15 days from the date of the transactions to verify whether the funds or securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

The observations from the above analysis should be recorded and in case any adverse findings the same along with the comments shall be reported to the exchange by the Compliance Officer within 45 days from the receipt of alert. In case of any delay, a written permission for extension from the exchange should be taken and documented.

If the client fails to provide any explanation or documentary evidence such clients should be deactivated and only after satisfactions of all requirements shall be activated for trading.

The transactional alerts generated should be recorded along with the observations and findings and should be disposed off within statutory time frame.

The surveillance process should be carried out under the complete supervision of the Compliance Officer and the Designated Directors and Compliance Officer shall be responsible for all surveillance activities carried out and record maintenance and reporting of such activities.

A quarterly MIS of the number of alerts pending at the beginning, generated during, disposed off and pending at the end of the quarter should be placed before the Board. The board shall discuss the same and take proper action for the pending alerts and apprise any exceptions noticed during the disposition of the alerts.

The Surveillance Policy, its implementation, effectiveness and the alerts generated should be reviewed by the internal auditor and the observations should be recorded in his report.