

## **SURVEILLANCE POLICY**

### **Background:**

NSE vide its circular NSE/ INVG/22908 dated 7<sup>th</sup> March, 2013 has directed the trading members to frame the surveillance policy for effective monitoring of client trading and monitoring the alerts based on trading activity of the exchange. The policy has been adopted and approved by its Board.

### **Objectives:**

The company shall implement the following policy:

1. To carry our Due Diligence of Clients
2. To develop and implement the Alerts System for client transactions
3. To implement a system of Reporting and other appropriate actions based on the review of transactions

### **Client(s) Information**

Due Diligence of its client(s) will be carried out on a continuous basis. It will also be ensured that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information, the Company will establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

## Analysis

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, Company will:

- a) Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
  - b) Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself:
    - 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
    - b) Client(s)/Group of Client(s) from which securities pay-in has been met, be sought. 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 actually belongs to the client for whom the trades were transacted.
  - c) After analyzing the documentary evidences, the Company will record its observations for such identified transactions or Client(s)/Group of Client(s).
  - d) In case adverse observations are recorded, the Company will report all such instances to the Exchange within reasonable time of alert generation. The Company may seek extension of the time period from the Exchange, wherever required.
  - e) The Company shall review the alerts based upon:
    - i. Type of the alerts downloaded by the exchange.
    - ii. Financial details of the clients
    - iii. Past Trading pattern of the clients/ client group
    - iv. Bank /Demat transaction details
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- v. Other connected clients in UCC (common email/mobile number/address, other linkages, etc)
- vi. Other publicly available information.

#### **Alert Types:**

In order to facilitate effective surveillance mechanisms, the Company would download the below mentioned alerts based on the trading activities on the exchanges:

- i. Significantly increase in client activity
- ii. Sudden trading activity in dormant account
- iii. Clients/Group of Client(s), deal in common scrips
- iv. Client(s)/Group of Client(s) is concentrated in a few illiquid scrips
- v. Client(s)/Group of Client(s) dealing in scrip in minimum lot size
- vi. Client / Group of Client(s) Concentration in a scrip
- vii. Circular Trading
- viii. Pump and Dump
- ix. Wash Sales
- x. Reversal of Trades
- xi. Front Running
- xii. Concentrated position in the Open Interest / High Turnover concentration
- xiii. Order book spoofing i.e. large orders away from market

The Company may formulate its own alerts in addition to above mentioned type of alerts.

#### **Monitoring, Reporting and Record Maintenance:**

Following procedure will followed for monitoring and reporting of alerts:

1. Receipt of Alerts from Exchanges / generated
  2. Time frame for disposition of alerts and if there is any delay in disposition, reason for the
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same shall be documented.

3. Suspicious / Manipulative activity identification and reporting process
4. A periodic MIS shall be put up to the Board on the number of alerts pending at the beginning, generated, disposed off and pending. Reasons for pendency shall be discussed and appropriate action will be taken. The Board shall be apprised of any exception noticed during the disposition of alerts.
5. The surveillance process shall be conducted under overall supervision of its Compliance Officer or any other person appointed for the purpose. Compliance Officer will be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.
6. Based on facts and circumstances, the Company will exercise its independent judgment and will take adequate precaution.

**Review:**

The Company shall review the surveillance policy, its implementation, effectiveness and review the alerts generated.

For JMP SECURITIES PVT. LTD.

  
DIRECTOR

