

POLICY ON SURVEILLANCE ON TRANSACTION ALERTS

PREFACE:

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations.

In Securities Market, it is imperative to have in place an effective market surveillance mechanism in order to alert the customers with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements and steps initiated by brokers in case of changing market situations

With a view to enhance customer knowledge, ensure investor protection and safeguard integrity of the markets SKP SECURITIES LIMITED (hereinafter referred to as the Company) have devised a Policy on Surveillance on transaction alerts (hereinafter referred to as Policy) so that all the stakeholders are aware of the criteria based on which the Company monitors risks and initiates actions to safeguard their interest

National Stock Exchange of India Limited vide its circular dated 01st July 2021, BSE Limited vide its notice dated 01st July 2021, NSDL circular dated 15th July 2021 and CDSL vide its Communique dated 15th July 2021 has directed the trading members and Depository Participant to frame a surveillance policy for effective monitoring of trades and Transactions executed through them on the basis of alerts provided by the exchange and Depository.

TYPES OF ALERTS COVERED IN THE POLICY:

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

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash & Derivatives
2	Sudden trading activity in dormant account	Cash & Derivatives
3	Clients/Group of Client(s), deal in common scrips	Cash & Derivatives
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips and having significant selling concentration in the scrips, forming part of “ for information list”	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 or client dealing after a significant time gap account to significant percentage of the total trading activity in a script as compared to the market.	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
12	Concentration position in the Open Interest / High Turnover Concentration	Derivatives
13	Order Book Spoofing i.e. large orders away from market	Cash
14	Disproportionate trading activity vs reported income/ net worth	Cash
15	Frequent changes in details of account	Cash & DP
16	Clients/Group of Client(s), having possible direct/indirect connection with listed company who may take suspicious trading activity prior to price sensitive announcement.	Cash & Derivatives
17	Consistency in profit/ loss at client/ group of clients, level. (Identification of Abnormal & Non – Genuine Trade)	Cash & Derivatives
18	Significant Trading activity in Pledged Shares	Cash & DP
19	Trading activity of Client / Group of Client(s) in a script , monitoring whether the orders are placed by client himself or authorized representatives and monitoring client's address as per KYC.	Cash & Derivatives
20	Monitoring & identification of IP addresses of clients/ group of clients (including identification of multiple client codes trading from same location)	Cash & Derivatives
21	Alert for multiple demat accounts opened with same demographic details	DP
22	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.	Cash, Derivative & DP Segment
23	Frequent Off-Market transfers (High Value) by a client in a specified period or immediately after modification of details. Review of Transactions with reason code "Gift"/ "Donation to unrelated parties"	DP Segment
24	Off-market transfers & Pledge transaction not commensurate with the income	DP Segment
25	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.	Cash, Derivative & DP Segment
26	Frequent mismatch in signature of the clients from the details captured in our system.	Cash & DP Segment
27	Inter share transfer of shares within various accounts.	DP Segment

The above transactional alerts can be modified to add or delete any other type of alerts as and when required by the regulatory authorities.

RESPONSIBLE PERSON

The surveillance process shall be conducted under overall supervision of the Compliance Officer and based on facts and circumstances he is required to take adequate precaution. Compliance Officer would be responsible for all surveillance activities and for the record maintenance and reporting of such activities

PROCESS OF IDENTIFICATION OF SUSPICIOUS/MANIPULATIVE ACTIVITY:

In case of any alert being received either from the exchange or generated at Company's end, the Company shall review/analyze the following:

- i) Type of alert downloaded or generated
- ii) Financial details of the client.
- iii) Past trading pattern of the clients/client group.
- iv) Bank/Demat transaction details.
- v) Other connected clients having common email/mobile number/address or any other linkages.
- vi) Other publicly available information.

In order to have in-depth analysis of the above transactional alerts, the following due diligence shall be taken based on the following parameters:

1) Clients Information:

The Compliance Officer 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.

2) Analysis:

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

- i) To seek explanation in writing from such identified Client(s) / Group of Client(s) for entering into such transactions.
- ii) To seek documentary evidence such as Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met or updation of income details of the client or in case of securities seek the demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met.

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.

After analyzing the documentary evidences, the Company should record its observations for such identified transactions or Client(s) / Group of Client(s) in the Register maintained for the purpose

MONITORING AND REPORTING:

For effective monitoring the company shall maintain a register which shall record the disposition of alerts, the findings, and if there is any delay in disposition, the reasons for the same, etc.

The Compliance Officer shall ensure that:

- i) all alerts are analyzed and status thereof including those with adverse observation along-with action taken is updated in the manner as may be prescribed, within 45 days to Exchanges in which the Company is registered. The Company may seek extension of time period from the exchange, wherever required.
- ii) all alerts are analyzed and status thereof including action taken is updated within 30 days to Depositories and in case adverse observation are recorded within 7 days of the date of identification of adverse observation in the manner as may be prescribed by them

The Company shall prepare quarterly MIS and shall put to the Board the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action should be taken. The Board should also be apprised of any exception noticed during the disposition of alerts..

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.

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.

POLICY REVIEW

The Policy shall be reviewed on instruction of the Board of Directors or on issue of new circular/directive issued by Regulatory/ Statutory authorities/need of the business. The compliance Officer shall make necessary modifications and hence the new modified policy shall come into effect.

Dated: 20th August 2021