

Policy on Surveillance of Transaction Alert

Background

Commodity Stock Exchanges Multi Commodity Exchange (MCX) and National Commodity and Derivative Exchange Limited (NCDEX), have put in place a mechanism that will generate automated alerts for Trading Members whenever suspicious transactions are detected in their clients' accounts. These alerts are generated in case of unusual changes in the trading pattern of the clients, sudden trading in dormant accounts as also in suspected cases of circular trading, 'pump and-dump', 'front running' and 'wash-sale' activities etc. In view of the above, the Company endeavors to frame this policy for surveillance of these alerts and the manner of disposal of the same. The said surveillance and disposal of the alerts shall be done on the following grounds:

- Receipt of 'Alerts' from Exchanges / generated at member's end.
- Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.
- Suspicious / Manipulative activity identification and reporting process.
- Record Maintenance.

In this regard, Exchanges have derived following transactional alerts that would be downloaded to the trading members which will facilitate the trading member to effectively monitor the trading activity of its clients.

List of Transactional

S. No.	Transactions Alerts
1	Significantly increase in client activity
2	Sudden trading activity in dormant account
3	Clients/Group of Client(s), deal in common commodity contracts
4	Client(s)/Group of Client(s) is concentrated in a few illiquid commodities
5	Client / Group of Client(s) Concentration in a commodity
6	Circular Trading
7	Pump and Dump
8	Wash Sales of Trades
9	Reversal of Trades
10	Front Running
11	Concentrated position in the Open Interest / High Turnover concentration
12	Order book spoofing i.e. large orders away from market

Client(s) Information:

- The Company shall carry out the Due Diligence of its client(s) on a continuous basis.

- The Company shall ensure 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 KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

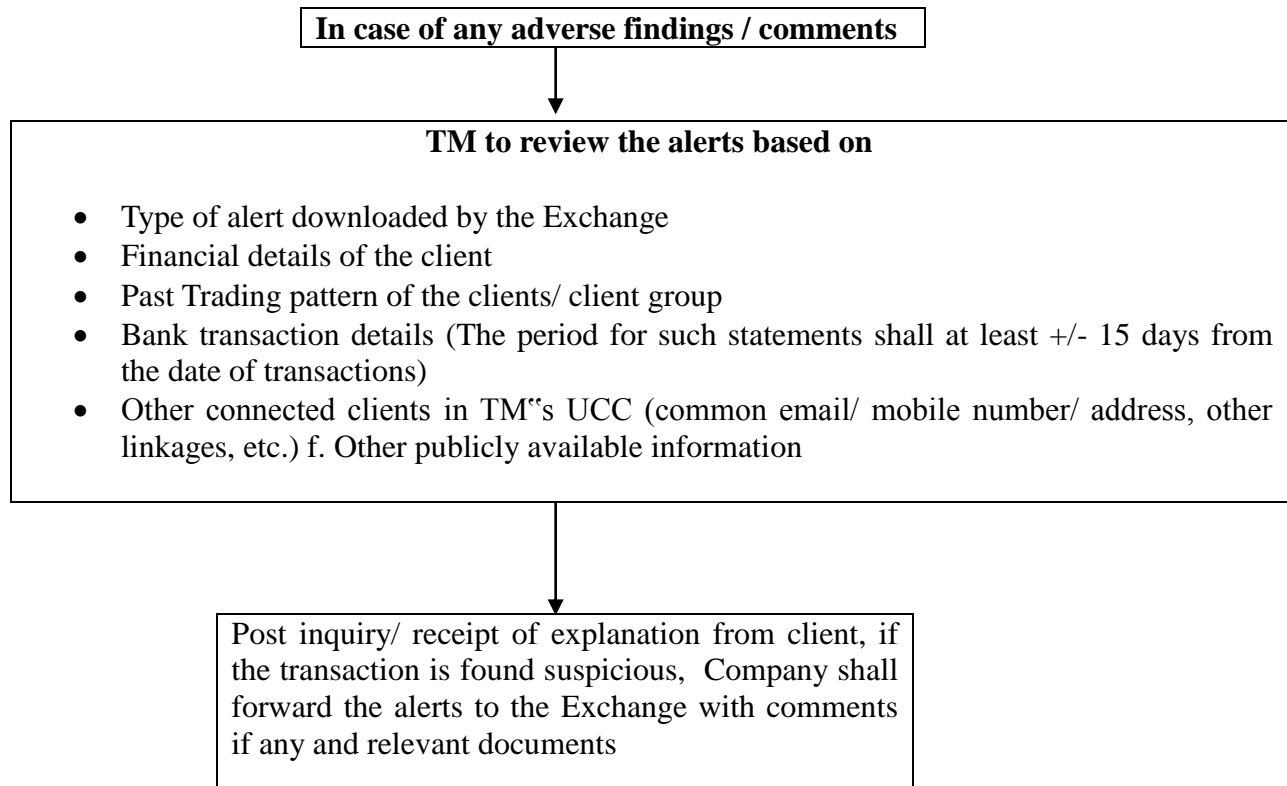
Time frame for disposition of alerts

The monitoring of the aforementioned alerts and disposal procedure shall be done within 45 days of the alert generation.

Suspicious / Manipulative activity identification and reporting process:

- Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account shall be identified and shall be reported.
- The Company shall download the alerts in addition to the existing internal monitoring of the transactions.
- On receipt of alerts, the same shall be forwarded to the concerned Branch In-charge/Manager/Authorized person through whom the client got registered and transact, for seeking an explanation/clarification and reason behind carrying such trade(s) by the client.
- In addition to above, the Company shall also obtain documentary evidence from clients such as bank statement from which funds pay-in have been made. The period for such statements shall +/- 15 days from the date of transactions to verify whether the funds for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- After analyzing the documentary evidences, the Company shall record its observations for such identified transactions.
- In case adverse observations are recorded all such instances shall be reported to the Exchange within 45 days of the alert generation.
- The Company may seek extension of the time period from the Exchange, wherever required.

Flow of action for the identification and reporting process in case of aforementioned alerts shall be as follows:



Record Maintenance

As per the Anti Money Laundering policy of the Company, the background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall be examined carefully & finding shall be recorded in writing. Documents & records shall be made available to auditors & SEBI /Stock Exchanges / FIUIND etc. These records shall be preserved for 5 years.

Maintenance of MIS

A quarterly MIS shall be placed before the Board of the Company in case any alert is generated during the quarter, their disposal and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action shall be taken.

The Board shall be apprised of any exception noticed during the disposition of alerts.

Role of Compliance Officer & Designated Directors

The Compliance Officer shall supervise the overall process of surveillance and reporting and shall be responsible for the record maintenance and reporting of such activities.

Designated Directors and Compliance Officer would be responsible for all surveillance activities carried out by the Company.

This Surveillance Policy is subject to the review of the Internal Auditor of the Company, who shall verify its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations in their report. The above policy is illustrative. Based on facts and circumstances, officials are required to exercise their independent judgment and take adequate precaution.