

SURVEILLANCE POLICY

INTRODUCTION

National Stock Exchange of India Limited (NSE) vide its circular dated 7th March, 2013 has directed the Trading Member to frame a Surveillance Policy for effective monitoring of Trading Members and monitoring the alerts based on trading activity on the Exchange. Trading Members are directed to have proper mechanisms and to ensure that proper checks and balances are in control, and NDA Securities Limited (the Company) is framing this policy accordingly.

SCOPE

The Company shall implement the following policy:-

1. Transactional Alerts to be provided by the Exchange:

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

S.No.	Transactional Alerts	Segments
1.	Significantly increase in Client Activity	Cash/ F & O
2.	Sudden trading activity in dormant account	Cash/ F &O
3.	Clients/ Group of Client (s), Dealing in Scrip in minimum lot size	Cash
4.	Clients/ Group of Client (s), Deal in common Scrips	Cash
5.	Clients/ Group of Client (s) is concentrated in a few illiquid scrips	Cash
6.	Reversal of Trades	Cash
7.	High Turnover Concentration	Cash
8.	Order Book Spoofing i.e. Large orders away from market	Cash
9.	Clients/ Group of Client (s), Concentration in Scrips	Cash

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

2. Clients Information:

The Company will carry out the Due Diligence of its Client(s) on a yearly basis. Further, the Company shall ensure that KYC Parameters are updated on a yearly basis and latest information of the Client is updated in Unique Client Code (UCC) database of the Exchange. Cased on this information the Company shall establish

3. Analysis

In order to analyze the Trading Activity of the Client (s)/ Group of Client (s) or Scrips identified based on above alerts, the Company will carry out the following procedure:

- a. To seek explanation from such identified Client (s)/ Group of Client (s) for entering into such transactions.
- b. To seek documentary evidence such as bank statement/ demat transaction statement or any other documents as below:
 - (i) 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 Client (s)/ Group of Client(s) from which securities pay- in has been met, to be sought.
 - (ii) 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. The Company shall review the alerts based upon:
 - (i) Type of the alerts downloaded sent by the exchanges
 - (ii) Financial details of the Clients
 - (iii) Past trading pattern of the Clients/ client group
 - (iv) Bank/ Demat transaction details
 - (v) Other connected clients in UCC (common email/ mobile number/ address, other linkages etc.)
 - (vi) Other publicly available information.

After analyzing the documentary evidences, including the bank/ demat statement, the Company will record its observations for such identified transactions or Client (s)/ Group of Client (s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

REPORTING

All action/analysis with respect the alerts generated should be completed within a reasonable time frame

The surveillance policy of the Trading Member to be approved by the Board of Directors

A daily reporting of the alerts to the designated director and principal officer / a quarterly MIS to the Board of Directors 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.

The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer.

Principal Officer under the PMLA directives/ 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.

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.

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