

SURVEILLANCE POLICY ON ALERTS MECHANISM

SUB : Monitoring and Reporting of Surveillance Alerts.

REF : MCX Circular Ref. No. MCX / S&I / 380 / 2016 Dt.3.11.2016

NSE Circular Ref. No. NSE/SURV/48818 Dt. 1st Jul 2021 &

CDSL Circular No. CDSL/OPS/DP/SYSTEM/2021/309 Dt. 15th Jul 2021 &

CDSL/OPS/DP/SYSTEM/2024/341 Dt.20th Jun 2024

Trading Member / Depository Participant Obligation :

Exchanges & Depository is facilitating effective surveillance mechanism at Member Level, they are providing the alerts based on the activity in the client account which will be available on their Portal. The alerts providing by them are indicative list and members have to formulate their own alerts in addition to the list provided by the Exchange / Depository.

Monitoring and Reporting Process:

This is ongoing process under overall supervision from Compliance Officer (CO). CO has to analyse the trading activity of the clients and seek explanation from such clients identified when the alerts are received. After analysing the documentary evidence from the clients, CO has to document the alert generated with the action taken details within 10 working days.

Alert/s gets escalated to the Designated Director if it is pending for more than 10 working days under escalation procedure. Designated Director will be informed by the CO about the action taken and closure of Alerts on monthly basis.

CO has to put up the Quarterly MIS w.r.t. the No.of alerts pending at the beginning of the quarter, generated & disposed during the quarter and pending at the end of the quarter to the Board.

The SOP and Alert Parameters will be reviewed atleast once in a year or whenever the changes occurred due to regulatory/exchange circulars / guidelines.

Own Alerts of SKY Commodities :

Over and above the alerts provided by the Exchange and Depositories on certain parameters, we are developing Alerts on the parameters described below. We are co-ordinating with our Back Office Vendor and will be made these alerts available shortly.

ALERT TYPE:

1. Disproportionate Trading Activity Vs. Reported Income / Networth:

- 1) Basic information of clients Annual Income Details should be considered which was available in client records / KYC
- 2) This should be compared with the Net Payment (Gross Receipts – Gross Payments) received from the clients at a given point in time i.e. The date we entered in the system. e.g. If a client makes different pay-in at different period and took different pay-out at different period in the same Financial Year, the net of the Two should be considered
- 3) The comparison period is Financial Year basis only (like Apr – Mar)

- 4) Comparison details – Point 1 & Point 2.
- 5) Alert generated if the Point 2 value is on or above 10 times of the value of Point 1
- 6) Point 1 value determined as Annual Income Details opted by client and fed in the system. If the value fed as less than 1 Lakh, the value should be considered as 1 Lakh and the alert should be generated on or above 10 Lakhs Net Pay-in. If the value fed as 1 to 5 Lakhs, the value should be considered as 5 Lakh and the alert should be generated on or above 50 Lakhs Net Pay-in of funds.

2. Frequent Changes in KYC Submitted by Clients :

Frequent changes in details such as, address, email id, mobile number, Authorized Signatory, POA holder etc., If the changes are more than 10 Nos. half yearly puttogether, it will be considered for scrutiny.

3. Trading Activity in Pledged Shares :

Significant volume of trading activity in scrips by client who has pledged the same scrips through us or has significant Holding in DP Account or has frequent off market transactions.

4. % of Trading Activity in Single Scrip / Contract :

Clients (Newly Onboarded / Existing / Re-activation) accounting for a significant percentage of the total trading activity in a specific scrip / contracts as compared to the average daily traded volumes in that security / contracts is significant.

5. Dealing frequently in Small Qty. of Shares :

Clients accumulating / trading regularly in small quantity of specified shares / contracts

6. Off-Market Transfer in Demat Account :

Clients indulging in

- a. Frequent Off-Market transfers by a client in a specified period
- b. Off-market transfers not commensurate with the income/Networth of the client.
- c. Off-market transfers (High Value) immediately after modification of details in demat account.
- d. Review of reasons of off-market transfers provided by client for off-market transfers vis à vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales

7. Multiple Demat Account with Same Demographic Details :

Multiple demat accounts opened with same demographic details: i.e. Alert for accounts opened with same PAN / Mobile number / email id/ bank account no. / address considering the existing demat accounts held with us.

8. Digital communication bounces :

Communications / updates sent through mails on registered Email id of the clients are getting bounced.

9. Sudden Activity in Trading / DP Accounts :

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.

10. Surveillance / Monitoring of IP Address of the Online Trading clients :

IP Address of the Online Clients using desktop systems for placing orders will be monitored and scrutinised for the identification of multiple client codes trading from the same location by IT Team on daily basis.

11. Abnormal / Non-Genuine transactions :

Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes or far month contracts with client squaring up its position within a short span of time. Additionally factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be monitored online by our RMS Team.

12. Caution towards dealing with Unsolicited Messages :

Based on the references received from NSE through ENIT platform, carrying out adequate monitoring to check the selling concentration/trading pattern of their clients in such Stockson the scrips available under Unsolicited Messages by our RMS Team.

Extention of Time:

We can seek extension of time period from the Exchange wherever required if the timelines for reporting is not met due to unforeseen circumstances / difficulties.

Alert Report Maintenance Format:

Please find herewith attached the reporting format consisting of the following :

Sl.No	Alert Received Date	Exchange / Depository	Client Code	Client Name	Type / Narration of Alert	Observations / Remarks

