RALLA TRADELINKS LLP

POLICY ON SURVEILLANCE OBLIGATION OF TRADING MEMBER

RALLA TRADELINKS LLP

Background

Surveillance and monitoring is very crucial part of today's trading system. Effective surveillance can achieve investor protection, market integrity and safe guard of capital market. We along with our Employees/Authorized Persons are the first touch point in the securities market for investors and are expected to have reasonably fair understanding about our client(s) and their trading activities.

Objectives of framing a surveillance policy covering:

- Alerts to be generated.
- Threshold limits and the rationale for the same.
- Review process.
- Time frame for disposition of alerts and if there is any delay in disposition, reason for the same should be documented.
- Suspicious/Manipulative activity identification and reporting process.
- Client due diligence.
- Reporting alerts to respective exchange(s).
- Record Maintenance.

B. **Surveillance framework** It is mandatory under the exchange/regulatory directives to have in place appropriate Surveillance Policies and Systems to detect monitor and analyse transactions. For the above we have to co-relate the transaction data with clients' information/data and detect suspicious/manipulative transactions is an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In-order to implement the exchange directives, they have provided us alerts which have to be generated by us. In addition to this we have also developed in-house surveillance software. The details of both these have been enumerated below:

Exchange alerts -Transactional alerts generated by exchange(s):

As per the circulars issued by the exchanges the trading member will receive certain alerts from the exchange on daily/monthly basis as mentioned below:

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	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	Cash
7	Circular Trading	Cash

8	Pump & Dump	Cash
9	Reversal of Trades	Cash & Derivatives
10	Front Running	Cash
11	Concentrated position in the Open Interest / High Turnover concentration	Cash & Derivatives
12	Order book spoofing i.e. large orders away from market	Cash

Own alerts - Obligation of Trading Member to generate Own Surveillance Alerts from trading operations:

Trading Member generates their own alerts are as under as per details of surveillance alerts prescribed by exchange circular:

- Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/ contract as compared to the market.
- Client/group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip/contract as compared to the market.
- Client/group of clients dealing frequently in small quantities / minimum market lot in a scrip/contract.
- Disproportionate trading activity vs reported income / Networth.
- Frequent changes in KYC submitted by clients.
- Based on an announcement by a listed company, identify client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.
- Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in Exchange circular no. NSE/INVG/2019/40175/20190207-46 dated February 07, 2019.

- Significant trading activity in scrips by client who has pledged the shares of same scrip.

- In case of concerns of trading activity of a client/group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis-a-vis the dealing office address.

- Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. For more details, kindly refer Exchange circular no. NSE/INVG/45517/20200830-1 dated August 30, 2020.

- Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in Exchange notice no. 20190207-46 dated February 07, 2019.

- Unregistered/Inactive Client Trade: In case any client is inactive as per our back office software or not registered, in spite of which trade is done the details can be ascertained via trading terminal and can be restricted from further trading and to complete the reactivation/registration process as the case may be.
- Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions
- Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location).

C. **Related to Internet based Trading:**

Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

D. **Analysis, monitoring of client's transaction & Client due diligence:**

We shall carry out following activities for client due diligence

- We shall carry out the Due Diligence of their client(s) on an on-going basis.
- We shall ensure that, key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange system.
- Analyzed/verify details of client/BO's income / net worth and shall also ask updation of financial details of the client/BO such as income tax return, salary slip, Annual returns, bank or demat transaction/holding statement etc.
- We shall seek written explanation/undertaking from such identified Client/BO(s) /Group of client(s) for entering in to such transactions and also ask for documentation evidence provided as per mentioned in above.
- We shall identify transactions by Client(s) / Group of Client(s) and in case any adverse observations are recorded, we shall report all such instances to the Exchange.
- Not allowing trades of entities which are banned by SEBI/Exchange/other regulators. This database is verified by the KYC team before client account is activated and by RMS team before allowing trading to clients.

- Trading is allowed to commence only after execution of the client registration form and all the mandatory Unique Client Code (UCC) parameters such as Name, Address, PAN No. etc., have been uploaded by us to the Exchange portal.

- Likewise, trading account numbers are provided to the trading account holders only after obtaining the Client registration forms and activating the same into the system.

- We need to review and examine the details of client's transaction/activities as per following steps:

1. Reasons for trading in particular scrip - especially illiquid scrip and/or illiquid contracts.

2. Whether such volume is justified give the background of the client and his past trading activity.

3. Reasons for such trading behaviour, trading pattern and repeated instances.

4. If any clients change its KYC details frequently ,than in this case details to be check and verification of such changes is normal or abnormal and also collect necessary evidence or proof of changes in KYC details.

D. **Time frame for disposition and Reporting of alerts:**

All action/analysis with respect or the alerts generated should be completed within a reasonable time frame as per prescribed by exchange(s).

We shall review and dispose the alerts within 30 days from the date of generation of alerts provided by exchange and submit count of the alerts generated by us on a quarterly basis, within 15 days from end of the quarter along with details of any major surveillance action taken (other than alerts reported to exchange), if any, during the quarter.

We shall update status of alerts including action taken within 30 days on Exchange system as prescribed by Exchanges and with respect to the alerts generated at our end we shall report instances with adverse observations, along with details of action taken, to Exchange within 7 days of the date of identification of such adverse observation.

With respect to the transactional alerts downloaded by the Exchange, we shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchanges) including action taken is updated within 45 days, on the exchanges system prescribed by respective exchange(s) and with respect to the alerts generated at our end, we shall report instances with adverse observation, along with details of action taken, to the Exchanges within 45 days of the alert generation.

The surveillance activities shall be conducted under overall supervision of the Compliance Officer

A quarterly MIS shall be put up to the board indicating the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the board shall be apprised of any exception noticed during the disposition of alerts.

The designated director shall be responsible for all surveillance activities carried out by the trading member

We shall provide duly approved status of the alerts on a quarterly basis, in the format as prescribed by the exchanges to the Exchange within 15 days from end of the quarter.

Additional data in accordance with Surv circular of Dec-24 NSE- INVG/65921

We have an ongoing employee training programs so that the members of the staff are adequately trained in AML/Surveillance obligations and apprising on the Trading Member's surveillance policy. Such training shall have specific focuses for frontline staff, back-office staff, compliance staff, risk management staff and staff dealing with new clients. The said training will conduct at least once in a year.

OBLIGATIONS OF COMPLIANCE OFFICER/ CHIEF SURVEILLANCE OFFICER/ DESIGNATED DIRECTOR AND INTERNAL AUDITOR OF THE STOCK BROKING BUSINESS OPERATIONS:

1. The surveillance activities of the stock broking operations shall be conducted under overall supervision of the Compliance Officer / Chief Surveillance Officer of **RALLA TRADELINKS LLP** The policy implemented by **RALLA TRADELINKS LLP** in accordance with the provisions of Prevention of Money Laundering Act, 2002 and rules made thereunder as Reporting Entity.

2. A quarterly MIS shall be put up by the Compliance Officer / Chief Surveillance Officer to the board and the Designated Director giving number of alerts generated during the quarter, number of alerts closed, number of alerts on which action taken with details of action taken and number of alerts pending at the end of the quarter along with reasons for pendency and action plan for closure. The Board as well as the Designated Director shall be appraised of any exception noticed during the disposal of the alerts.

3. The Designated Director shall be responsible for all surveillance activities carried out by the trading member.

4. **RALLA TRADELINKS LLP** shall submit its surveillance policy to the internal auditor for stock broking operations for review and shall satisfy the queries/questions, if any, raised by the internal auditor with respect to the implementation of the surveillance policy, its effectiveness and the alerts generated.

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OBLIGATION OF QUARTERLY REPORTING OF STATUS OF THE ALERTS GENERATED FOR STOCK BROKING OPERATIONS

1. A quarterly statement providing duly approved status of alerts in respect of stock broking operations on quarterly basis shall be submitted to BSE and NSE in the prescribed format within 15 days after the end of the quarter.

ESCALATION AND REPORTING MECHANISMS

1. **RALLA TRADELINKS LLP** shall review the compliance with the provisions of the framework under this Chapter of these regulations not less than once in a quarter and shall verify the adequacy and efficiency of the systems for internal control and reporting by analysing the relevant data.

2. **RALLA TRADELINKS LLP** are required to inform the details of suspicious activity via email or Member Surveillance 2. Dashboard (MSD) within 48 hours of the detection of suspicious activity.

3. **RALLA TRADELINKS LLP** shall submit a summary analysis and action taken report on instances of suspicious activity, fraud and market abuse or a 'nil report' where no such instances were detected, on a Quarterly basis to the stock exchanges.

4. Any deviation in adherence to internal controls, risk management policy, surveillance policy, and policy for onboarding of clients along with the proposed corrective actions for such deviation shall be placed before the appropriate Committee, Board of Directors at regular intervals.

E. **Record maintenance:**

We shall maintain and keep all such records and documentary evidences that have been analyzed/taken by us either in soft copy or in hard copy for the time period as prescribed by the regulatory authority.

Approval Authority:

For Ralla Tradelinks LLP

Puneet Singla

Puneet Singla **Partner**
(Designated Partner)