



# **FAIR INTERMEDIATE PRODUCTS PVT. LTD.**

## **Surveillance Policy Process and Procedure**

**Objective:** - To monitor the trading pattern of client and to scrutinize the alert generated by system or Exchange. Record and report the outcome of scrutiny to exchange.

Surveillance and monitoring is very crucial part of today's trading system. Effective surveillance can achieve investor protection, market integrity and safeguard of capital market. The main objective of surveillance is to stop suspicious and manipulated trading activity by individual or group of individuals on the exchange platform.

With reference to above mentioned objective of monitoring trading pattern of client and generating and scrutinizing alerts all exchange has started facility of generating alert and sending the same to member for scrutinizing and reporting.

The entire process of scrutinizing and reporting of alert has to be completed within 45 days from the receipt of alert from exchange or any other time limit prescribed by Exchange or SEBI from time to time.

The process has to be carried out under monitoring and guidance of compliance officer Designated directors and compliance officer will be responsible for implementation of policy and process.

A quarterly MIS of receipt and generation of alert and status of the same has to be put before the board and reason for pendency has to be discussed and appropriate action should be taken.

### **STEPS TO BE FOLLOWED IN RESPECT OF TRANSACTIONAL ALERTS**

**Review the alerts based from Exchange/generated at FIPL**

**Type of alert downloaded by the Exchange**

- 1. Significantly increase in client activity (Periodicity Monthly)**
- 2. Sudden Trading activity in dormant account (Periodicity Monthly)**
- 3. Concentrated position in the Open Interest (Periodicity Daily)**
- 4. High Turnover concentration (Periodicity Daily)**

B. Financial details of the client

Past Trading pattern of the clients/ client group

Bank/Demat transaction details (The period for such statements may be at least +/- 15 days from the date of transactions)

Other connected clients in TM's UCC (common email/ mobile number/ address, other linkages, etc.)

Other publicly available information

### **Different types of alert and process to be followed**

<b>Sr. No</b>	<b>Type of Alert</b>	<b>Segment</b>	<b>Process to be followed</b>
01.	Significant increase in client Activity.	Commodities	Review Client's KYC Obtain explanation from client To seek bank statements/ITR/ Warehouse receipt and/or DP statements if so deemed necessary by Compliance/ Management team.
02.	Suddenly Trading Activity in dormant account.	Commodities	Review KYC & obtain fresh documents wherever necessary including reactivation letter. To seek bank statements / ITR Copy/ Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.
03.	Client(s) / Group of client(s) deal in common Commodities	Commodities	Review KYC of clients based on information and find out if any nexus exists between them.
04.	Client(s) / Group of client(s) dealing in Commodities in minimum lot size.	Commodities	Review the trading pattern in common commodities and profit and loss in each transaction. Obtain explanation from client.
05.	Client(s) / Group of client(s) concentration in a Commodities	Commodities	To seek bank statements / ITR / Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.
06.	Circular trading	Commodities	Review KYC of clients based on information find out any nexus exists Between them. Review the trading pattern in common commodities with respect to time and price at which order's are placed and executed and profit and loss for each transaction. Obtain explanation from client To seek bank statements/ ITR/ Warehouse receipt and/or DP statements if so deemed necessary by Compliance/ Management team.
07.	Pump and Dump	Commodities	Review KYC of clients Review the trading pattern Obtain explanation from client To seek bank statements/ ITR/ Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.
08.	Wash Sales	Commodities	Review KYC of clients
09.	Reversal of Trade	Commodities	Review the trading pattern to ascertain amount of loss from each transaction Obtain explanation from client To seek bank statements/ ITR / Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.
10.	Front running	Commodities	Review KYC of clients Review the trading pattern with date of corporate announcement by company and ascertain amount of profit from each transaction Obtain explanation from client To seek bank statements/ ITR / Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.
11.	Concentrated position in open Interest/High turnover concentration	Commodities	Review KYC of clients Review the trading pattern and position in capital market Obtain explanation from client To seek bank statements if so deemed necessary by Compliance/Management team.
12.	Order book Spoofing / Large order away from market price	Commodities	Review KYC of clients Review the trading pattern Obtain explanation from client To seek bank statements/ ITR / Warehouse receipt and/or DP statements if so deemed necessary by Compliance/Management team.

If any concern seen post inquiry/ receipt of explanation from client, forward the alerts to the Exchange with comments and any documents deemed relevant

During the review of KYC information if any deviation is observed in parameters that are updated to exchange while uploading the UCC, then the revised parameters should be updated to Exchange.

Record for each such alert analysis and conclusion drawn there on has to be maintained for the time period prescribed by Exchange/SEBI from time to time