

## **Policy on RMS, Surveillance and Transaction Alerts**

### **Background : -**

In reference to the Master circular of SEBI bearing circular no. SEBI/HO/ISD/ISD/CIR/P/2021/22 dated March 01, 2021, and NSE Circular no. NSE/SURV/48818 dated July 07, 2021, BSE Circular and relevant circular relating to Prevention of Money Laundering Act, Exchange have put in place a mechanism that will generate automated alerts for Stock Brokers & Trading Members whenever suspicious transactions are detected in their client's accounts. The alerts will be generated in case of unusual changes in the trading pattern of the clients, sudden trading in dormant account or any suspicious or manipulative activity identified in a clients account.

In view of the above, the Mathisys Advisors LLP (hereinafter referred to as as LLP) endeavours to frame this policy for effective surveillance of these alerts and the manner of disposal of the same.

### **Objectives-**

The said surveillance and disposal of the alerts shall be done on the following grounds:

1. Receipt of Alerts" from Exchanges / generated at Company's end.
2. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.
3. Suspicious / Manipulative activity identification and reporting process.
4. Framework of appropriate actions that can be taken by Company's end. In addition to the obligations under Prevention of Money Laundering Act (PMLA), Company may suspend the trading activity of the suspect client or may take other actions that may deem appropriate.
5. Record Maintenance

In this regard, in order to facilitate effective surveillance mechanisms at the Brokerlevel, the Exchanges have derived following transactional alerts that would be downloaded to the trading members. This will facilitate the Company to effectivelymonitor the trading activity of its clients.

***List of Transactional Alerts to be provided by BSE & NSE***

Sr. No.	Transaction 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(s) / Group of Client(s) Concentration in a scrip	Cash
7.	Circular Trading	Cash
8.	Pump and Dump	Cash
		Derivatives
9.	Reversal of Trades	Cash
10.	Front Running	Cash
11.	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
12.	Order book spoofing i.e. large orders away from market	Cash

### **1. Client(s) Information:**

- a) The Company is required to carry out the Due Diligence of its client(s) on a continuous basis.
- b) 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.
- c) Based on KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

### **2. 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.

### **3. Suspicious / Manipulative activity identification and reporting process:**

- a) Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account are required to be identified and should be reported accordingly.
- b) In view of the above, the Company shall download the aforementioned alerts in addition to the existing internal monitoring of the transactions.
- c) Upon receipt of alerts, the same are to be forwarded to the concerned dealer/RM of the client(s) seeking an explanation/clarification from the client(s) reason behind carrying out such trade(s) in their accounts.
- d) In addition to above, the Company also seeks documentary evidence from clients such as bank statement / updated financial statement.
  - 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.
  - ii. 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. 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.
- e) After analyzing the documentary evidences, the Company should record its observations for such identified transactions or Client(s)/Group of Client(s).
- f) With respect of the transactional alerts downloaded by the Exchange, Company will ensure that all the alerts are analysed and status thereof (verified & close/ verified & sent to Exchange) including action taken is updated within 45 days in the Member Surveillance Dashboard.
- g) In case adverse observations are recorded then Company shall report all such instances to the Exchange within 45 days of the alert generation.
- h) The Company may seek extension of the time period from the Exchange, wherever required.

### **Steps to be followed in respect of transactional alerts**

#### **Alerts Received**

TM to review the alerts based on

- a. Type of alert downloaded by the Exchange
- b. Financial details of the client
- c. Past Trading pattern of the clients/ client group
- d. Bank / Demat transaction details (The period for such statements may be at least +/- 15 days from the date of transactions)
- e. Other connected clients in TM's UCC (common email/ mobile number/ address, other linkages, etc.)
- f. Other publicly available information

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

*Note: "In case of any adverse findings / comments, the Company shall send its comments to the Exchange within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required"*

#### **Generation of Additional Surveillance Alerts:**

To generate appropriate surveillance alerts, to enable effectively monitor the trading activity, Company will formulate and analyse the alerts on the basis of these themes-

- I. 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.
- II. Client/group of clients with new account or clients dealing after a significant time gap, 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.
- III. Clients/group of clients dealing frequently in small quantities/minimum market lot in a scrip/contract
- IV. Disproportionate trading activity vs reported income/net worth
- V. Frequent changes in KYC submitted by clients.
- VI. Based on the announcement by a listed company, identify clients/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.

- VII. Client/group of clients having sufficient selling concentration in the scrips,
- VIII. forming part of "Current Watch List"
- IX. Consistency in profit or loss in clients/group of clients' level, rationale for
- X. such trading activities.
- XI. Significant trading activities in scrips by clients who has pledged the shares of same scrips.
- XII. In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring clients' address as per KYC vis a vis the dealing office address.
- XIII. Significant trading activity in scrips where clients has pledged shares or has significant holding or has frequent off-market transactions.
- XIV. Surveillance/monitoring of IP addresses of clients.
- XV. Identification of multiple client codes trading from the same location.

#### **4. Record Maintenance**

As per the company's Anti Money Laundering policy, 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 should be made available to auditors & SEBI / Stock Exchanges / FIUIND etc. Records are required to be preserved for 5 years.

#### **5. Role of Compliance Officer & Designated Directors in maintenance of MIS.**

A quarterly MIS shall be placed before the Board on the number of alerts generated during the quarter, disposed off during the quarter and pending at the end of the quarter.

Reasons for pendency shall be discussed and appropriate action shall be taken. Also, the Board shall be apprised of any exception noticed during the quarter.

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 may record the observations with respect to the same in their report.

## 6. Reporting of Status of the Alerts

The Company will duly provide the approved status of the alerts on a quarterly basis to the Exchange within 15 days from the end of the quarter in the following format-

### a) Status of Alerts generated by the Trading Member

Name of the Alert	No. of Alerts Under process at the beginning of the quarter	No. of new alerts generated in the quarter	No. of Alerts verified & closed in the quarter	No. of Alerts referred to Exchange	No. of alerts pending/under process at the end of quarter

### B. Details of alerts referred to the Exchange

SI No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

### C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:

SI. No.	Brief action taken during the quarter

The Company will submit “NIL” report to the Exchange on the Member Surveillance Dashboard within 15 days from the end of quarter if it has nothing to report.

The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, Company will exercise their independent judgment and take adequate precaution. Further the clauses of this policy are subjected to change with the periodic updation in the Company.

### For M/s Mathisys Advisors LLP

Policy maker: **Ms. Ruchi Chandna, (Compliance officer)**

Policy Checker: **Nihit Gupta, (Designated Partner)**

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