



Northeast Broking Services Limited

Policy on Surveillance of Transaction Alerts.

Background

Leading Stock Exchanges Bombay Stock Exchange Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”) have put in place a mechanism that will generate automated alerts for Stock Brokers & Trading Members whenever suspicious transactions are detected in their clients’ accounts. The alerts will be generated in case of unusual changes in the trading pattern of the clients, sudden trading in dormant accounts as also in suspected cases of circular trading, 'pump-and-dump', „front running“ and 'wash-sale' activities etc.

In view of the above, the Company endeavors to frame this policy for surveillance of these alerts and the manner of disposal of the same.

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

1. Receipt of “Alerts” from Exchanges / generated at member’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. Record Maintenance.

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

List of Transactional Alerts to be provided by BSE & NSE

Sr. No.	Transactions 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 and Dump	Cash
9	Wash Sales of Trades	Cash
10	Reversal of Trades	Cash
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Cash
13	Order book spoofing i.e. large orders away from market	Cash

Sr.No	DP Surveillance Scenarios 9 Scenarios (DP)	Segment
1	S832 Multiple Accounts Opened with Common Details	DP
2	S833 High value off market transaction in a specified period (CDSL & NSDL)	DP
3	S834 Client High value off market transaction vis-a-vis Fair value (CDSL & NSDL)	DP
4	S835 Client High value Pledge transaction vis-a-vis Fair value (CDSL & NSDL)	DP
5	S836 Client High value off market transaction vis-a-vis modification in demat account (CDSL & NSDL)	DP
6	S837 Frequent change in client KYC for DP Accounts (CDSL & NSDL)	DP
7	S838 Multiple times communication bounced for DP Accounts	DP
8	S840 Client off market transfer of Specific reason consolidate vis fair value	DP
9	S841 Sudden Increase in Transactions and holding decrease significantly	DP

Client(s) Information:

1. The Company is required to carry out the Due Diligence of its client(s) on a continuous basis.
2. 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.
3. Based on KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

1. Time frame for disposition of alerts

The monitoring of the aforementioned alerts and disposal procedure shall be done within 30 days of the alert generation.

2. 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. In case adverse observations are recorded then Company shall report all such instances to the Exchange **within 30 days of the alert generation**.

g. The Company may seek extension of the time period from the Exchange, wherever required.

The proposed flow of action for the identification and reporting process in case of aforementioned alerts shall be as follows:

Steps to be followed in respect of transactional alerts

Note: In case of any adverse findings / comments, the Company shall send its comments to the Exchange within 30 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

3. 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 8 years.

4. 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 disposition of alerts.

5. Role of Compliance Officer & Designated Directors

As indicated by circulars on the surveillance obligations of TM issued by BSE & NSE:

a. 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.

b. 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.

The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, officials are required to exercise their independent judgment and take adequate precaution.