

LOHIA SECURITIES LIMITED

Surveillance Policy regarding transactional Alerts

It is the responsibility of the Company to ensure that none of its client(s) are misusing the trading system for their own benefit at the cost of others by indulging in manipulation or any other illegal activities which pose risk to the integrity of the market and distorts the equilibrium of the market. To spot the possible irregularity and contain such activities at the nascent stage itself, it is important, therefore, to strengthen the surveillance capabilities to monitor suspicious/manipulative transactions of the clients and curb such activities, if any. It also helps the Company in minimizing business risk through better profiling of clients and their transactions.

As per the SEBI policy document, exchanges have issued circular on Surveillance obligation for Trading Members. In order to facilitate effective surveillance mechanisms at the Member level the exchange would provide various alerts based on the trading activity of the clients on the exchange. The relevant circulars are:-

NSE/INVG/22908 dated 07.03.2013

BSE-20130307-21 dated 07.03.2013

Circular No. MCX-SX/ID/1053/2013 dated 08.03.2013

Circular No: USE/SURV/298/2013 dated 08.03.2013

As per the above, it is the responsibility of the Trading Member to frame a surveillance policy covering the receipt of alerts from exchange, disposal of the same, identification and reporting of suspicious & Manipulative activity and record maintenance.

1) Receipt of Alerts from Exchanges/generated at Company's end

The exchange shall provide the following Transactional Alerts:

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 and Dump	Cash



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

Besides the above, the Company would also generate alerts based on financial details of the client, past trading pattern, bank/demat transaction details, transactions of other connected clients of the Company having common e-mail/mobile number/address etc. and analyse the same.

In order to generate alerts the Company shall carry out the Due Diligence of its client(s) on a continuous basis. Further, The Company shall ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information the Company shall establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

2) Action on alerts generated

The Company would analyse the alerts generated by the exchange/ alerts generated by the Company and have set certain parameters (As per Annexure A) for taking following action:-

- a) seek explanation from Client(s) / Group of Client(s) for entering into such transactions
- b. Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself.

In case of funds, Bank statements of the Client(s) / Group of Client(s) from which

1. funds pay-in have been met, to be sought. 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.
2. 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.

Time frame for disposition of alerts and reason for delay

After analyzing the documentary evidences, including the bank / demat statement, the Compliance Officer of the Company shall record its observations for such identified transactions or Client(s) / Group of Client(s) within 30 days of generation of alerts. In case there is delay in disposition of alerts beyond 30 days then the reason for the same along with explanation shall be noted under the sign of the Compliance officer.



Suspicious/Manipulative activity identification and reporting process

In case adverse observations are recorded, the Company shall report all such instances to the Exchange within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

3) Record Maintenance

The records of the alerts and action taken thereon shall be preserved for the period as required under PMLA, other rules and regulations and any amendments thereon from time to time.

The surveillance policy on transaction alerts of the Trading Member shall be approved by its Board on 1st April, 2013.

A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, 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 taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.

