



CFS Financial Services Pvt. Ltd.

SURVEILLANCE POLICY

OF

CFS FINANCIAL SERVICES PRIVATE LIMITED

Regd. Office – F-12, Green Park Main, New Delhi – 110016,
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SEBI Regn. No.: INZ000224536
Depository Participant – NSDL-IN-DP-138-2015

**vide NSE Circular no. NSE/INVG/22908 dated March 07, 2013 and
BSE Notice No. 20130307-21 dated March 07, 2013 and
NSDL Circular No. NSDL/POLICY/2021/0072 dated July 15, 2021**



1. OBJECTIVE

In accordance with BSE Notice No. 20130307-21 dated March 07, 2013 and NSE Circular No. NSE/INVG/22908 dated March 07, 2013 trading members are required to frame surveillance policy for handling effective monitoring of trading activity of client. In compliance with the aforesaid circulars, we adopt and implement below mentioned Surveillance Policy covering areas mentioned in the aforementioned circular.

The policy has been drafted under the supervision of Compliance Officer and approved by its Board of Directors in Board meeting held on 2nd April, 2013 at the Registered Office of the company. The Policy was reviewed on 5th August, 2021 at the registered office of the company by the board.

2. TERMS USED IN THIS POLICY

Alerts - Referred as transactional alerts arising due to sudden significant increase in client activity, sudden trading activity in inactive/dormant accounts, clients/groups of clients dealer in common scrips, illiquid scrips, minimum lot size/or single scrip, large orders away from the market, concentrated position in the open interest/high turnover concentration, circular trading, pump and dump, wash sales, reversal of trades, front running.

3. RECEIPT OF ALERTS FROM EXCHANGES /GENERATED

Exchanges, Depositories and other Regulators would be downloading the alerts based on the trading activity of the client for facilitating the effective surveillance mechanism. The surveillance policy shall cover the maintenance and disposition of alerts received from exchanges, Depositories, the one generated by our systems and any other alerts to be monitored under the PMLA or any other Regulatory Authorities to safe guard the Business from unwanted elements.

In order to facilitate effective surveillance mechanisms at the Member level, the Exchanges provides following mandatory transactional alerts along with other alerts to the trading members through e-BOSS (BSE) and ENIT (NSE). This facilitates the trading members to effectively monitor the trading activity of their clients.

Transactional Alerts to be provided by Depository Participants and Exchange:

Any transaction alerts of the Depository Participant shall be checked across with the trading department and back office before trading for such client, also generates alerts based on the High Value Transactions and Frequent Off Market Trades.



The National stock Exchange Generates the Transactional Alerts on Continuous basis such Alerts includes the following:

Sr. No.	Transactional Alerts	Segment
1.	Significant increase in client activity	Cash
2.	Sudden trading activity in dormant account	Cash
3.	Clients/Group of Client(s), dealing in common scrips	Cash
4.	Client(s)/Group of Client(s) 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

Indicative Themes to generate Surveillance alerts for the Depository Participants as provided by NSDL

Depository Participant shall put in place system to generate these alerts with effect from October 01, 2021 and obtain the approval of its Board in its next meeting.

S.No.	Indicative Themes
1.	Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the Participant.
2.	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3.	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4.	Frequent Off-Market transfers by a client in a specified period .
5.	Off-market transfers not commensurate with the income/Networth of the client.
6.	Pledge transactions not commensurate with the income/Networth of the client.
7.	Off-market transfers (High Value) immediately after modification of details in demat account.
8.	Review of reasons of off-market transfers provided by client for off-market



	transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales.
9.	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
10.	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

Alerts may be generated based on some threshold/parameters and are illustrative and not exhaustive. Depository Participants reviews these alerts based on facts and verification of relevant documents including income/networth as provided by Client.

INSTRUCTIONS TO GENERATE THE ALERTS

i. Alerts can be generated from BSE Portal

- log-in into e-Boss (<https://membersso.bseindia.com/>)>login to Surveillance System>download the transaction alerts log.

ii. Alerts to be generated from NSE Portal

- log-in into ENIT (www.connect2nse.com/memberportal)>ENIT Compliance>Investigation Department>Transactional Alerts.

4. SUSPICIOUS / MANIPULATIVE ACTIVITY IDENTIFICATION AND REPORTING PROCESS

Suspicious / Manipulative activity identification and reporting process include gathering of client information, analysing client activity, seeking documentary evidences if required, monitoring the trading activities, record maintenance and reporting.

5. STEPS FOLLOWED IN RESPECT OF TRANSACTIONAL ALERTS

5.1 In accordance with BSE Notice No. 20130307-21 dated March 07, 2013 and NSE circular no.NSE/INVG/22908 dated March 7, 2013, once the alerts are received the following steps would be taken to review and dispose the transaction alerts:

1. Review the type of alert downloaded by exchange or generated at our end
2. Financial details of the client
3. Past trading pattern of the clients/client group
4. Bank/demat transaction details (The period for such statements may be at least +/- 15 days from the date of transactions)
5. Other connected clients having common email/mobile number/address or any other linkages etc.
6. Other publicly available information.



- 5.2 On receipt of the above information, analyze the alerts generated and in case of any adverse findings/comments, the same shall be communicated to the Exchange within 45 days from the alert generation. With respect to the alerts generated at the Participants end, Participants shall report instances with adverse observation, along with details of action taken, to NSDL within 7 days of the date of identification of adverse observation. In case analysis is taking time due to complexity, an extension may be taken from the Exchange or NSDL to review the alert(s)
- 5.3 In order to have in-depth analysis of the above transactional alerts, the following due diligence shall be taken:
- i. CLIENT(S) INFORMATION:**
- a. Implementing Anti Money Laundering Policy Vis a Vis KYC standard for New Clients Acceptance and implementing high standard of due diligence process.
 - b. Periodic updating of client database and having system to do continuous client due diligence as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.
 - c. Identification of Beneficial Ownership.
 - d. Identification of Multiple Accounts/common Accounts/group of Clients.
 - e. Analyzing common emails, mobile numbers, address and other linkages.
 - f. Other publicly available information.
 - g. Depository Participants 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 Depository System.
- ii. ANALYSIS:**
- a. Clients' trading pattern or activity shall be analyzed based on Alert received /generated through exchange system. There are alerts which require only client confirmation or explanations or trading history analysis and there are other alerts which require documentary evidence viz. Bank Statement or Demat Statement for +/- 15 Days as per Exchange requirements.
 - b. Here, Transaction Alerts falling under Sr. No. 1 & 2 requires only trading history analysis, last 12 months trading turnover analysis, turnover v/s income range comparison and client confirmation on sudden activity in dormant account. We ensure all reasonable steps are taken to analysis these type of alerts and shall be required to close the status of alerts or report the exchange in case of any adverse findings.
 - c. In case of transactional alerts Sr. No. 3 to 13, apart from analysing trading history and income comparison, we take explanations regarding alerts received from the exchange and also ask for +/- 15 Days' Bank statement in case of Funds Movement and Demat Statement in case of movement of shares and Responsible person shall verify whether the funds / securities for the settlement of such trades actually



belongs to the client for whom the trades were transacted or not?

- d. Member shall record observation for such transactional alerts and maintain records with regard to such analysis. In case, client failed to provide explanation or documentary evidences, such client(s) shall be deactivated and shall be activated only after they satisfy all requirement of this policy.

6. FREQUENCY FOR THE REVIEW OF THE TRANSACTION ALERTS

We shall review for any transaction alerts from the exchanges on every 15th of the month. With respect to the transactional alerts to be provided by Depository, Participants shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the NSDL e-PASS portal.

7. QUARTERLY REPORTING OF STATUS OF THE ALERTS GENERATED BY PARTICIPANTS

Depository Participants will provide duly approved status of the alerts on a quarterly basis, in the following format to NSDL within 15 days from end of the quarter:

- a. Status of Alerts generated by the Depository

Name of Alert	No. of alerts pending at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & closed in the quarter	No. of alerts reported to Depository	No. of alerts pending for process at the end of quarter

- b. Details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter

Sr. No.	Brief action taken during the quarter

- c. In case of no transaction alerts, the Depository Participant shall file the 'NIL Report' within 15 days from end of the quarter and it will be uploaded on NSDL e-PASS Portal.

8. TIME FRAME FOR DISPOSITION OF ALERTS

All the alerts downloaded will be analysed by Operations Manager & Compliance Manager keeping in view Client Type, Risk Categorization, Income Range Selected and Past Trading Pattern. In case of any adverse findings, same shall be informed to Exchange with comments within 45 days of receipt of Alert and within 30 days from the date of alerts



generated at Participants end and alerts provided by NSDL. In case of delay in disposition, written extension to be taken from respective exchange and reason for the same shall be documented.

9. RECORD MAINTENANCE

Member/ Depository Participants shall record observation for such transactional alerts and maintain register (electronic/physical) for recording of all alerts generated. Record must be maintained as per statutory time frame. 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.

10. SUPERVISION OF COMPLIANCE OFFICER

In case of any alert downloaded which is suspicious or contains abnormal activity, same shall be informed to the Exchanges, NSDL and Compliance Officer. Any Corrective measures/action to be taken shall be under the supervision of Compliance Officer. Designated directors / Compliance Officer would be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.

11. SUPERVISION OF INTERNAL AUDITOR

Our Internal auditor shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report. Internal auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.

12. REVIEW OF THE POLICY

This policy shall be made effective from 1st May, 2013 or such extended period as exchange may prescribe. The policy shall be reviewed by its Board once in a year.