

## **SURVEILLANCE POLICY OF KIFS TRADE CAPITAL PVT. LTD.**

**REF: EXCHANGE CIRCULARS DATED 7<sup>TH</sup> & 8<sup>TH</sup> MARCH, 2013 ON SURVEILLANCE OBLIGATIONS FOR TRADING MEMBERS**

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**Brief :** In order to facilitate effective surveillance mechanisms at the member level, Exchange(s) have started to make available some 13 types of alerts w.e.f. 2<sup>nd</sup> April, 2013 as mentioned in circular dated 7<sup>th</sup> & 8<sup>th</sup> March, 2013 respectively. Based on the same, the trading member is supposed to carryout necessary due diligence of its clients and analysis of the clients' transactions based on alerts provided by the Exchange(s).

Accordingly in terms of the said circular, it is obligatory for KIFS to frame its surveillance policy for effective monitoring. Hence this policy. This policy shall apply across all exchanges and all segments of which KIFS is a Trading Member.

### **Surveillance Policy:**

- (a) **Receipt of Alerts from Exchanges / Generated at our end** : The RMS & Compliance Team of KIFS shall in co-ordination with each other, download the alerts received from Exchange(s) on a regular periodic interval (which may include either on a daily / monthly basis ) as may be made available by the Exchange(s) from time to time. RMS and Compliance Team shall co-ordinate internally with each other so that the task of such downloading and forwarding in between the teams shall be smooth and efficient.

In addition, both the team shall co-ordinate with such other alerts as may be generated from in-house software installed (TSS Small Office procured from TSS Software) for the purpose of PMLA compliances.

- (b) **Suspicious / Manipulative activity identification and reporting**: RMS Team shall preliminary carry out necessary due diligence and shall analyze the transaction(s) of the client as alerted by the Exchange(s), such as financial details of the client as may be available from time to time, past trading history/pattern of the client, client's reference and financial status and such other factors as may be considered necessary. During such scrutiny, the RMS Team shall also monitor the activities of other connected clients, if any, based on common email/mobile no./address/other linkages etc. The Compliance Team shall issue and seek necessary explanation from the client concerned including to provide his bank and/or demat statement of particular period and such other details as may be available in public domain.

Based on such analysis, either of the following action shall be taken :

- (i) Alert shall be disposed off as "Closed" **OR**
- (ii) Alert shall be reported to the concerned Exchange(s), if any concern is seen post inquiry / receipt of explanation from the client(s).

In case any adverse findings/comments based on the alert(s) is/are required to be forwarded to the Exchange, then in that case, the Compliance Officer shall send the comments to the Exchange along with copy of request letter seeking explanation sent to client, his/her explanatory reply, if any, bank and/or demat transaction statement etc. within a period of 45 days from the date of alert generation by the Exchange(s). Such data may be provided to the Exchange either in soft format or in physical documents as may be permitted by the Exchange(s). The Compliance Officer shall always endeavor to meet the time limit of 45 days unless extended by the Exchange upon request sent by the Compliance Officer with reasons for the delay, if any.

In case of alert generations based on TSS Small Office Software, both RMS Team and Compliance Team shall in conjunction with each other, assist the Principal Officer, either to close the alert or report the same to FIU – India once the final conclusion is arrived as to suspicious transaction(s) as per prescribed procedures. In such cases, PMLA policy of KIFS from time to time shall apply.

- (c) **Time frame for disposition of alerts:** RMS and Compliance Team shall always endeavour to dispose off the alerts so generated as expeditiously as possible once the internal analysis is completed, however, in case of alerts generated from Exchanges, the same shall be disposed off by taking all necessary actions, either to close after requisite explanation from client(s) and internal analysis or to report to Exchange about adverse observations, if any, within a period of 45 days of date of alert generation by the Exchange (s). In case, if any alert generated from Exchange can not be disposed off within a period of 45 days, then an extension shall be sought from respective Exchange after recording the reason(s) for the delay, however the same shall be disposed off within such extended time limit as may be permitted by the Exchange(s).
- (d) **Record Maintenance:** Both RMS Team and Compliance Team shall maintain all such data, records, explanation and findings for such period as may be required to be preserved and maintained and shall provide the same to Inspecting / Regulatory Authorities as and when asked for.
- (e) The aforesaid surveillance process shall be conducted under overall supervision of the Compliance Officer who shall prepare MIS report on quarterly basis starting from 1<sup>st</sup> April, and shall produce the same before the Board of Directors or any committee thereof in the following format, for its consideration and suitable actions, if any.



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Name of Exchange & Segment: \_\_\_\_\_ (Quarter Months: \_\_\_\_\_to \_\_\_\_\_)

Sr. No.	No. of Alerts pending at the beginning of quarter	No. of Alerts generated during quarter	No. of Alerts disposed off during quarter		No. of Alerts pending at the end of quarter	Reason for Pendency, if any	Action Taken for pendency or exception noticed during disposal of alerts
			Closed	Reported to Exchange			
1							
2							
3							

Note : The aforesaid surveillance policy of KIFS has been considered and adopted as per meeting of Managing Committee of the Board of Directors of the erstwhile Company (KIFS Securities P. Ltd. now KIFS Trade Capital P. Ltd. ) held on 4<sup>th</sup> April, 2013.

KIFS reserves its rights to amend/alter/add/delete all or any portion of this policy in its sole discretion so as to make it compatible to regulatory requirements from time to time.



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