

SURVEILLANCE POLICY

The company has laid down policy guidelines which have been framed in the light of MCX / NCDEX Circulars and is implementing this surveillance policy which shall be applicable to all of our clients.

1. Objective Of This Policy

- a. To establish a surveillance mechanism and controls in the operations / trading activity of clients.
- b. To put in place appropriate controls for the detection and reporting of suspicious trading activities in accordance with applicable laws/laid down procedures.
- c. To comply with applicable laws and regulatory guidelines.

2. Duties And Responsibilities

This Surveillance policy is approved by the Board of Directors of DPL Comtrade Ltd. in their board meeting held on 01 June 2017.

- a. In terms of this policy, the Compliance Officer of the company shall be responsible for downloading alerts from exchange portal, carrying out required due diligence, analysis and disposal of alerts, maintenance of record and do the reporting of such activities to appropriate authorities as and when required.
- b. A quarterly MIS shall be prepared and put up to the Board containing the details on 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.
- c. Further, reasons for pendency along with appropriate action taken to resolve them shall be discussed.
- d. In addition to above, Board shall be apprised of any exception noticed during the disposition of alerts.
- e. Further, Internal auditor shall from time to time review the implementation and effectiveness of the policy and the disposal of alerts generated during the period of audit and shall record their observation with respect to the same in their report.

Transaction Alerts

Compliance Officer shall download all the below mentioned alert based on the trading activity of client provided by the exchange(s) / generated by us from time to time namely:-

S. No.	Transaction Alerts	Periodicity
1	Significantly increase in client activity	Monthly
2	Sudden trading activity in dormant account	Monthly
3	Concentrated position in the Open Interest	Daily
4	High Turnover concentration	Daily
5	Matching of Trades	Daily
6	Execution of Trades away from LTP	Daily

Clients Due Diligence

Compliance Officer shall carry out the Due Diligence of client(s) on a continuous basis and shall update all the KYC parameters as prescribed by SEBI / Exchange on periodic basis and ensure the updation of latest information of the client including information pertaining to directors/ partners/ trustees/ karta in case of non-individual clients in Unique Client Code (UCC) database of the Exchange.

Apart from above, Groups / Associations amongst clients shall be established to identify multiple accounts/ common account/ group of clients.

We shall also profile our clients and categorize the clients under any one of the following category namely;

- a. Commercial participant (value chain participant/exporter/ importer, hedger etc) or
- b. Noncommercial participant (financial participant/ trader/ arbitrager, etc.)

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or Commodity identified based on above alerts, we shall :-

1. require explanation from identified Client(s) / Group of Client(s) for entering into such transactions as per format enclosed the attached Format.
2. seek documentary evidence such as bank statement, warehouse receipts or any other documents to satisfy ourselves.
 - a. In case of funds,we shall require Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of commodities, with compulsory delivery documentary evidence including warehouse receipt of the Client(s)/ Group of Client(s) for which commodities pay-in have been met, to be sought.
 - b. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds for the settlement of such trades actually belongs to the client for whom the trades were transacted.
3. After analyzing the documentary evidences, including the bank statement/ warehouse receipt, the compliance officer shall record his observations for such identified transactions for Client(s)/ Group of Client(s).

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

4. If explanation \asked from the client is not satisfactory / reply not received within stipulated time period the trading of concerned client shall be suspended and the instance shall be reported the appropriate authorities.

To,
Client Name
Client Address

Sub.: Alert received from (Exchange Name) in respect of your trading during the period from 01 - April - 2017 to 31 - Mar - 2018.

Dear Sir,

With reference to above, please note that we have received following alert form the exchange in respect of your trading activity during the period from 01/04/2017 to 31/03/2018._____.

S. No.	Date of Alert	Exchange	Alert Type
1	01-04-2017	MCX	Mail/Mobile

In this regard you are requested to clarify the following:

1. Reason for increase in Trading Activity
2. Trading objectives
3. Source of funds used for making the payment against the margin / settlement obligations
4. Whether you have intention of taking / giving delivery on contract expiry. If yes please provide copy of Warehouse Receipt / Source funds for meeting settlement obligations.
5. Whether your trading is based on any research report if so please provide the detail.
6. Whether any of your related party / group client is also trading / holding in same commodity with us or any other member.

Further you are requested to provide self attested copy of Bank Account Statement and warehouse receipts for the period from 01 /04/2017 to 31/03/2018 along with any other relevant document within seven days from the date of this letter.

Please note that your failure to submit reasonable explanation and required documentary evidence within above said time may lead to suspension of trading facility in your account.

Please Do The Needful And Oblige.

Thanking You,

For : DPL Comtrade Pvt. Ltd.

**Chandan Kumar Jha
(Compliance Officer)**