



# STEWART & MACKERTICH WEALTH MANAGEMENT LTD.

4, Lee Road, Vaibhav, Kolkata – 700 020  
Tel: (91 33) 3051 5400 / 4011 5400 Fax: (91 33) 2289 3401

## SURVEILLANCE POLICY

Policy Authored By:

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Policy Reviewed on November, 2013



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## 1. Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in both Cash, Equity – Derivative and Currency Derivative Market Segments of the Stock Exchange, where the Company is registered as a Trading Member, this Surveillance Policy is being formulated under the instructions of the Board Members of Stewart & Mackertich Wealth Management Limited ("the Company"), in compliance and/or as mandated by Securities and Exchange Board of India and The Stock Exchanges.

## 2. Responsibility:

2.1 The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

2.2 The Associate Compliance Officer & KYC & KRA Officer shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.

2.3 The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.

2.4 The Compliance Officer shall exercise their independent judgment and take adequate precautions to ensure implementation of an effective surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.

2.5 The Internal Auditor of the Company, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

2.6 The Board of Directors shall peruse, review and provide necessary guidance with regard to the "**Surveillance Policy**", periodically, for strengthening the processes.

## 3. Policy Procedures for Disposition of Alerts:

**3.1 Downloading of Transaction Alerts:** The Transaction Alerts provided by the Stock Exchanges and internally generated by the Back Office Software (as enumerated in the Annexure), shall be downloaded by the "Associate Compliance Officer "on a regular





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basis and the same shall be forwarded to the Designated Directors, Compliance Officer and the KYC & KRA Officer.

**3.2 Client(s) Information:** The "KYC & KRA – Officer" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Transaction Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in UCC database of the respective Exchanges. Based on the Client Information, the said officer shall establish Groups / Association amongst clients to identify multiple accounts / common account / group of clients.

**3.3 Documentation:** The Associate Compliance Officer in order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips, identified based on the Transaction Alerts shall do the following:

- a) Seek explanation from such identified 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.
- c) 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.
- d) In case of Securities, Demat Account Statements of the Client(s) / Group of Client(s) from which Securities Pay-In have been met, to be sought.
- e) The period of such statements mentioned in point (c) & (d) 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 to whom the trades were transacted.

**3.4 Analysis:** Upon receipt of the above mentioned documents, the Compliance Officer and the Associate Compliance Officer shall analyze the documents sought from the Client as well as the KYC & KRA of the Client and shall record the observations for such identified transactions or Client(s) / Group of Client(s).

In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange, under intimation to the Designated Directors.

#### **4. Time Frame for Disposition of Alerts:**

5.1 The above procedure should be completed within 15 calendar days from the last trading day of the month. In case the matter prolongs beyond 15 days the same should be reported to the Designated Directors, by the Compliance Officer, citing reasons for





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such delay. The Compliance Officer may seek extension of the time period from the Exchange, whenever required, under intimation to the Board of Directors.

### **5. Management Information System (MIS):**

5.1 A Monthly MIS Report (by 15 Calendar Days from the end of each month) shall be put up by the Compliance Officer to the Designated Directors on the number of alerts pending at the beginning of the month, generated during the month, disposed off during the month and pending at the end of the month.

5.2 A Quarterly MIS Report (by 30 Calendar Days from the end of each quarter) shall be put up by the Compliance Officer to the Board of Directors 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. The Compliance Officer shall also apprise the Board of Directors of any exception noticed during the disposition of Alerts

5.3 Internal Auditor shall verify and submit separate report with regard to "Surveillance Policy" on a monthly basis (by 15 Calendar Days from the end of each month) and the actions taken in respect of the Compliances made and pending actions, if any.

### **6. Record Maintenance & Reporting:**

6.1 The Compliance Officer shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities.

6.2 The Compliance Officer shall be assisted by the Associate Compliance Officer and the KYC & KRA Officer for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance Officer.

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### Annexure

Transaction Alerts to be provided by the Exchange:

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

Relevant Stock Exchange Circulars:

Exchange	Date	Circular Reference
National Stock Exchange of India Limited	07-Mar-2013	NSE/INVG/22908
Bombay Stock Exchange Limited	20-Feb-2013	20130220-23
Bombay Stock Exchange Limited	07-Mar-2013	20130307-21

*Sudipto Datta*

