

POLICY FOR SURVEILLANCE

Policy created by: Compliance Head Sabapathy P.R	Policy Created on: 01.03.2018
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Policy Approved by: Managing Director Ganesh S Pawar	Policy Approved On: 01.03.2018
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Office responsible for implementation: Compliance Officer : Sabapathy PR	Bullion Fox Commodity (P) Ltd.,

For Bullionfox Commodity Pvt Ltd

Managing Director



Surveillance Policy

Objective

Surveillance function helps in achieving objectives of following

- Effective market surveillance mechanism to ensure investor protection
- Safeguard integrity of investors of the market and maintaining it in extreme market movements.
- Spot, identifying and curb suspicious and manipulative transactions.
- Peruse appropriate preventive actions to avoid any market disruptions.
- Maintaining fairness of the market to protect investors by monitoring trading pattern of clients if there is any abnormal price or volatility in the markets.
- Minimizing business risk, market risk and financial risk through better risk management system.

Background

MCX CIRCULAR/S&I/ 380 NOVEMBER 3 2016

Surveillance is the purpose of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In order to achieve this and to create safer markets, We are have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

Transactional alerts:

This Surveillance policy covers various alerts generated and received from exchange for identifying to suspicious trades.

- Significant increasing client activity.
- Sudden trading in dormant client account.
- Client or group of clients dealing in common commodity contracts.
- Client or group of clients dealing in minimum lots size.
- Client or group of clients concentration in limited number of commodity contracts.
- Circular trading by clients.
- Reversal of trades, concentration of position in the open interest /high turnover concentration.
- Large orders and price range beyond current market prices.
- Trading only in illiquid commodities.

Analyzing alerts by compliance team

The alerts provided by exchanges shall be downloaded on daily basis by the compliance department from respective exchange system for a depth analysis. The alerts shall be based on type of alert, client's past trading pattern, clients occupation, Clients financial review, other connected clients in our

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database, etc. The alerts which are found to be suspicious and of which the compliance team is the opinion that same needs to be reported to the exchange shall be flagged separately .such alerts should be forwarded to the concerned relationship manager/Risk head for further clarifications and scrutiny.

Process followed in alerts and analysis

Significant increase in client trading activity: Client's /Group of clients who have been dealing in small quantities/value suddenly significantly increase in their activity. In such cases the following shall be examined:

- Whether such volume is justified given the background of the client and his trading activity.
- Cumulative amount of funds that was brought in by the clients/group of clients for the purchases made during the period.
- Whether such inflow of funds is in line with the financial status of the client.
- Whether the transactions of such clients/group of clients are contributing to concentrating or impacting the price.

Sudden trading activity in dormant account- This refers to such cases where the client has not traded more than 12 months and suddenly starts/resumes trading or enters into transactions which are not in line with financial strength. In such cases following shall be reviewed and examined:

- Reasons for trading in such scrip's/contracts.
- Whether the client is only placing the order or is it some third party.
- Whether there is any concerted attempt by a clients/group of clients to impact the price through use of such dormant accounts.
- Whether there is any concerted attempt by a clients/group of clients to indulge in movement of profit/loss from one client to another through use of such dormant accounts.

Circular Trading:

Continuous trading of client/group of clients in particular futures contract over a period of time

- Client /group of clients contributing significant volume (broker and exchange level) in particular scrip-especially illiquid scrip.
- Possible matching of trades with a specific group of clients(like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip etc).
- Possible reversal of trades with the same group of clients(like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip etc).

Order book spoofing i.e. larger orders away from market

- Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract.

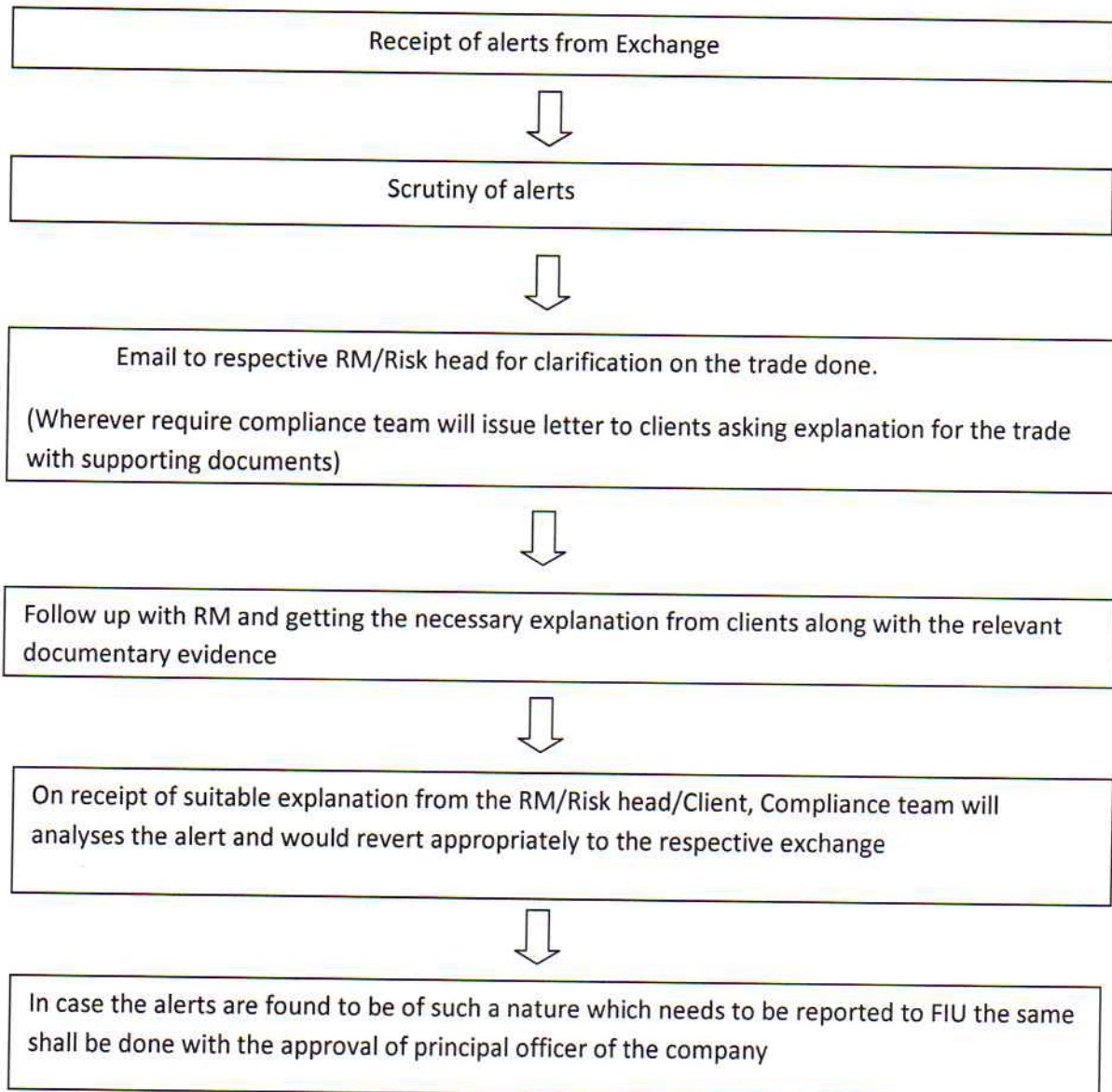
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- Repeated pattern of placement of large buy orders which are away from the market price and simultaneous placement of sell orders to benefit from price or vice versa.

Scrutiny of the alerts, identifying suspicious activity and reporting the same to exchange/FIU

Compliance team shall conduct an in depth scrutiny of alerts received from exchanges. The following shall be the process flow



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It is noted that In case of exceptional circumstances where it may be difficult to seek explanation from clients on account of non co-operation of clients/client not traceable, etc. the process mentioned above will not be completed. In such cases the matter would be brought to the notice of the compliance officer/designated Directors for necessary action as may be deemed fit depending on the facts and circumstances of each case. Further, as per the regulatory requirements, Members are required to report adverse alerts within 45 days from the date of receipt of the alert. However, in case of exceptional circumstances extension of time may be sought.

Record Maintenance

Each alert received from the exchange shall be backed by necessary supporting documentary evidence sustaining the reason for reporting the same to the exchange. An excel sheet shall be maintained by the compliance team wherein in the details of each alert, explanation sought from client, documentary evidence collected from clients, reasons for reporting/non reporting the alert to exchange, reason for reporting evidence collected from clients, reasons for reporting/non reporting the alert to exchange, reason for reporting the alert to FIU, any other additional details as may be deemed fit may be captured.

Record maintenance in KYC

Client information –INDIVIDUAL

- Client records of individuals are recorded in our KYC document with due diligence.
- Clients pan number proof, Aadhar proof ,bank statements, Canceled cheque leaf , Photos, Mobile number, Mail id, Copy of IT records, form 16,networth certificate, salary slip, business balance sheets, demat holding, share holding other owner ships are verified with originals by our IPV.
- Any changes in the Clients information are monitored on continues basis. In case of any changes in mobile number or mail id physical document are received from those clients and these documents are available in downloadable form in our website.

Client Information-NON INDIVIDUAL

- Pan number proof, Aadhar proof, bank statements, Canceled chequeleaf, Photos, Mobile number, Mail id of all the partners/directors/Karta of HUF are obtained.
- Pan number of the entity and other documents like partnership deed, MOA , AOA, Copy of previous year balance sheets, IT returns are verified with originals by our IPV.

Review process and analysis

- In case of any trading related discrepancies explanation are sought from that clients/Group of clients.
- In case of any financial related discrepancies bank statements business ledgers or other related documents will be sought.

Monitoring and Reporting: FOLLOWING IS THE Circular no.: MCX/S&I/380/03 NOV 2016

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For an effective monitoring, Trading Member shall:

1. Frame a surveillance policy covering:

- i. Receipt of Alerts from Exchange/ generated at member's end.
- ii. Time frame for disposal of alerts and if there is any delay in disposal, reason for the same shall be documented.
- iii. Suspicious/ Manipulative activity identification and reporting process.

iv. Record Maintenance

2. The surveillance policy of the Trading Member shall be approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be.
 3. A quarterly MIS shall be put up to the Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) 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 (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) shall be apprised of any exception noticed during the disposal of alerts.
 4. The surveillance process shall be conducted under overall supervision of its Compliance Officer.
 5. Designated Directors/ Partners/ Proprietor/ Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.
- b. Internal auditor of Trading Member 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. This will be effective as and when the internal audit guidelines become applicable for trading members. The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, the trading members are required to exercise their independent judgment and take adequate precaution.

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