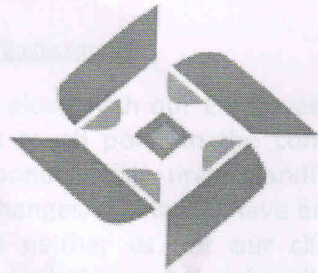


SURVEILLANCE POLICY

SHRI RAM
COMMODITIES

SURVEILLANCE POLICY

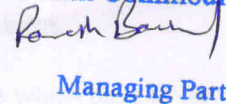
OF

SHRI RAM COMMODITIES

M/s Shri Ram Commodities


Managing PartnerRATTAN LAL AGGARWAL
(MANAGING PARTNER)

M/s Shri Ram Commodities


Managing Partner

RAMESH BANSAL

(MANAGING PARTNER)

SURVEILLANCE POLICY

A. Background

We along with our Employees/Branch-Offices/Sub-Brokers/Authorized Persons are the first touch point in the commodity market for investors and are expected to have reasonably fair understanding about their client(s) and its trading activity. Thus, Exchanges/regulators have entrusted on us the first level of the responsibility to ensure that neither us nor our client(s) are misusing the trading system by indulging in manipulation or any other illegal activities which can cause risk to the integrity of the market and distorts the equilibrium of the market.

Objectives of framing a surveillance policy covering

- Alerts to be generated.
- Threshold limits and the rationale for the same.
- Review process.
- Time frame for disposition of alerts and if there is any delay in disposition, reason for the same should be documented.
- Suspicious/Manipulative activity identification and reporting process.
- Record Maintenance.

B. Surveillance framework

It is mandatory under the exchange/regulatory directives to have in place appropriate Surveillance Policies and Systems to detect, monitor and analyze transactions. For the above we have to co-relate the transaction data with their clients' information/data and. Detect suspicious/manipulative transactions is an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In-order to implement the exchange directives, they have provided us alerts which have to be generated by us. In addition to this we have also developed in-house surveillance software. The details of both these have been enumerated below:

I. EXCHANGE ALERTS

1. **Unusual trading activity:** Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity over a period of time say fortnight/month/quarter and this increases by certain threshold limit of more than 50% as compared to the earlier period of same duration, we have review and conduct a analysis on parameters such as;
 1. Whether such volume is justified give the background of the client and his past trading activity.
 2. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
 3. Whether such inflow of funds is in line with the financial status of the client.
 4. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.

2. financial strength of the client, we have to review and examine the following;
 1. Reasons for trading in such scrips/contracts.
 2. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices.
 3. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another account.
3. **Clients/Group of Client(s), deal in common scrips/contracts contributing significant to the volume of the scrip/contract at the Trading Member level and at the stock exchange level.** We need to review and examine the following;
 1. Reasons for trading in such scrips/contracts.
 2. Whether there is any concerted attempt by to impact the prices.
 3. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
4. **In accordance to the list of contracts provided by exchanges,** we need to review and examine the following;
 1. Whether there trading is sudden trading
 2. Whether there is any concerted attempt to impact the prices of such scrips/contracts.
 3. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
 4. Probable matching of transactions with another client.
 5. Apparent loss booking transactions in contract/securities
 6. Whether the transactions of are contributing to concentration or impacting the price.
5. **Circular Trading:**
 1. Continuous trading of client/group of clients in particular scrip over a period of time.
 2. Possible matching of trades with a specific group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in scrip etc.)
6. **Pump and Dump:**
 1. Activity concentrated in scrips/contracts.
 2. Sudden activity in commodity/contracts.
 3. Percentage of activity to total market in the scrip/contract is high.
 4. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.
7. **Front Running:**
 1. Trading, by Client employees, ahead of large buy/sell transactions and subsequent square off has to be identified and such transactions have to be reviewed for determining front running
 2. There is a consistent pattern of Client employees trading ahead of large buy/sell transactions.

8. Concentrated position in the Open Interest/high turnover concentration:

1. Client having significant position in the total open interest of a particular scrip.
2. Client not reducing/closing their positions in spite of the scrip being in ban period.
3. Client activity accounts for a significant percentage of the total trading in the contract/securities at member and exchange level.
4. Monitor the trading pattern of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.

9. Order book spoofing i.e. large orders away from market :

1. 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
2. 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 rise or vice-versa.

10. Matching of Trades – all segments in commodities The trades which get matched (applicable for all segments) at member level and or client level are generated under this alert.

1. The records so generated, comparison is done to ascertain whether they have been carried out from the same trading terminal or same location or for group of same family codes.
2. In case of scrip/contracts or significant volumes or price volatility observed, explanation is sought and or warning is issued to the client.

II. ADDITIONAL MONITORING

1. Not allowing trades of entities which are banned by SEBI/Exchange/other regulators. This database is verified by the KYC team before client account is activated.
2. Trading is allowed to commence only after execution of the client registration form and all the mandatory Unique Client Code (UCC) parameters such as Name, Address, PAN No. etc., have been uploaded by us to the Exchange portal.
3. Clients who have debit balance in their ledgers continuously for a certain period of time or who default in making payment. This is monitored by our RMS team who dedicated does follow up with the clients/branches/AP's and also restricts from further trading.

We need to correlate the transactional alerts with the information of client(s) available with them. The correlation of alerts with information of Client(s)/Group of Client(s) would help Trading Members to identify, mitigate and manage such transactions as well as minimizing business risk.

12. Analysis

In order to analyze the trading activity of the Client scrips identified based on above alerts, we can do the following:-

1. Shortlist Client for further analysis.

2. Seek explanation from such identified Client
3. Seek documentary evidence such as bank statement, transaction statements of last 6 months to 12 months period, to satisfy itself.
4. On the basis of information received from the client and after proper evaluation and analysis, we decide our steps for suspending code and or the scrip from further trading.

13. Reporting

All action/analysis with respect the alerts generated should be completed within a reasonable time frame

The surveillance policy of the Trading Member to be approved by the Board of Directors

A daily reporting of the alerts to the designated director and principal officer / a quarterly MIS to the Board of Directors if there are alerts as to the number of alerts received, disposed off during the quarter and pending at the end of the quarter and the. Reasons for pendency should be discussed and appropriate action taken for disposing of the alerts.

The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer.

Principal Officer under the PMLA directives/ Compliance Officer of the Company and their team would be to be responsible for all surveillance activities carried out for the record maintenance and reporting of such activities under the supervision of the Designated Director.

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.

This policy would be made available to the internal auditors and regulators during the course of audits or as and when demanded.

Certain few things we can implement provided the concerned departments monitor and keep track

1. Frequent instances of payment by Client(s)/Group of Client(s) in the form of cash equivalents like Demand Draft, Pay order etc. to be monitored for
2. When home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client or documents sent at its email/home/business address returned undelivered.
3. Having multiple accounts with the Trading Member and using different trading accounts alternatively.
4. Client frequently changing bank account.