

Writeup on Insider Trading

1. Firm Policy

It is the policy of the firm to prohibit and actively prevent insider trading and any activity that facilitates insider trading. **Insider trading** is the trading of a [corporation's stock](#) or other [securities](#) (e.g. [bonds](#) or [stock options](#)) by individuals with potential access to non-public information about the company. The term is frequently used to refer to a practice in which an insider or a related party trades based on [material](#) non-public information obtained during the performance of the insider's duties at the corporation, or otherwise in breach of a [fiduciary](#) or other relationship of trust and confidence or where the non-public information was misappropriated from the company.

The employees are not allowed to open the trading account with the company unless specifically sanctioned by the Manager Compliance.

2. Customer Identification and Verification

Declaration is taken from the client whether any relation with listed companies or related to employees of listed companies. Based on the respective information, those clients in particular are not allowed to have positions in the given listed company.

At the time of opening an account or executing any transaction with it, the firm will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	1. PAN Card	2. Copy of Bank Statement, etc	3. N.A.
Company	4. PAN Card 5. Certificate of incorporation 6. Memorandum and Articles of Association 7. Resolution of Board of Directors	8. As above	9. Proof of Identity of the Directors/Others authorized to trade on behalf of the firm
Partnership Firm	10. PAN Card 11. Registration certificate 12. Partnership deed	13. As above	14. Proof of Identity of the Partners/Others authorized to trade on behalf of the firm

Trust	15. PAN Card 16. Registration certificate 17. Trust deed	18. As above	19. Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	20. PAN Card 21. Resolution of the managing body 22. Documents to collectively establish the legal existence of such an AOP/ BOI	23. As above	24. Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI

25. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.
26. All PAN Cards received will verified form the Income Tax/ NSDL website before the account is opened
27. The firm will maintain records of all identification information for ten years after the account has been closed

3. Monitoring Accounts For Insider Trading and Suspicious Activity

The firm has separate RMS team which constantly keeps track of penny stock trading and any unusual trading pattern observed by our risk management team is brought to the notice of compliance officer and the management.

The firm monitors through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kind of activities are to be mentioned as Red Flags and reported to the Compliance \ Principal Officer.

- a. The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- b. The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

- c. Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- d. The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- e. The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- f. The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- g. The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- h. The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- i. The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- j. For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- k. The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- l. The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
- m. The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- n. The customer's account shows an unexplained high level of account activity
- o. The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.

p. The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the firm detects any red flag he or she will escalate the same to the Compliance \ Principal Officer for further investigation

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals

Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale
- Activity in Accounts
- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

