

## **SURVEILLANCE POLICY**

### **Objective:**

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyse the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market.

With respect to the transactional alerts being downloaded from the Exchanges / generated by the Company, the following activities will be carried out based on UCC parameters:

### **Client(s) Information:**

Due Diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review. Financial information also needs to be updated for all active clients. Based on the information the Trading Member shall establish groups / association amongst clients to identify accounts / common accounts / group of clients.

### **Transaction**

Surveillance department monitors and analyses trading activities of client(s) on ongoing basis with help of alerts given and generated by Exchanges and department's

surveillance software. Team has defined the various parameters for generation of alerts on surveillance software and also reviews the parameter on periodic basis:-

Transaction Alerts to be provided by the Exchange:

<b>Sr. No.</b>	<b>Transactional Alerts</b>	<b>Segment</b>
1.	Significant 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 (Pump-and-dump” involve the touting of a company’s stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace.)	Cash
9.	Wash Sales (A wash sale is trading activity in which shares of a security are sold at a loss and a substantially identical security is purchased)	Cash & Derivatives
10.	Reversal of Trade	Cash & Derivatives
11.	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)	Cash
12.	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13.	Order book spoofing i.e. large orders away from market	Cash

## **Analysis**

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, Company will:

- 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:
  - i. 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. In case of securities, demat account statements of the Client(s)/Group of Client(s) from which securities pay-in has been met, be sought.
  - ii. The period for such statements 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 for whom the trades were transacted.
  - iii. After analyzing the documentary evidences, the Company will record its observations for such identified transactions or Client(s)/Group of Client(s).
  - iv. In case adverse observations are recorded, the Company will report all such instances to the Exchange within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

## **Monitoring and Reporting of Transactions:**

Following procedure will followed for monitoring and reporting of alerts:

- A. Receipt of Alerts from Exchanges / generated
- B. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.
- C. Suspicious / Manipulative activity identification and reporting process

D. Record Maintenance

- E. A quarterly MIS shall be put up to the Board 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 will be taken. The Board shall be apprised of any exception noticed during the disposition of alerts.
- F. The surveillance process shall be conducted under overall supervision of its Compliance Officer
- G. Compliance Officer will be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.
- H. Based on facts and circumstances, the Company will exercise its independent judgment and will take adequate precaution.