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## **SURVEILLANCE POLICY**

### **A. BACKGROUND**

We along with our Employees/Branch-Offices/Sub-Brokers/Authorized Persons are the first touch point in the securities market for investors and are expected to have reasonably fair understanding about client(s) and their 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. In addition to the exchange/SEBI surveillance directives issued from time to time this policy has been prepared with the following objectives:

- 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.

#### **Obligation to frame Surveillance Policy:**

We as registered intermediary providing services to different types of clients including retail, institutional, HNI through various modes like Call and Trade, Mobile based trading, Internet based trading, Portfolio Management Services (PMS), in addition to proprietary trading (including Algorithmic trading). Thus, surveillance policy shall, inter alia, cover the following:

Generation of suitable surveillance alerts.

Processing of alerts within 30 days from the date of alerts generated

Documentation of reasons for any delay in disposition of any of the alerts.

Suspicious / Manipulative activity identification.

Framework of appropriate actions, that can be taken by us as under Prevention of Money Laundering Act (PMLA) and /or suspension of the trading activity of the suspect client, or any other action as may be deemed appropriate.

Record maintenance for the period as stipulated under applicable statutes.

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:

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## **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;
  - i. Whether such volume is justified give the background of the client and his past trading activity.
  - ii. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
  - iii. Whether such inflow of funds is in line with the financial status of the client.
  - iv. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.
  
2. **Significant incase in trading activity and /or Sudden trading activity in dormant accounts:** An inactive client resumes trading starts/resumes trading and additionally the client start trading actively and trading actively in illiquid securities/commodities or low market capitalized scrips or enters into huge transactions not to commensurate with the financial strength of the client, we have to review and examine the following;
  - i. Reasons for trading in such scrips/contracts.
  - ii. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices.
  - iii. 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 securities/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;
  - i. Reasons for trading in such securities/contracts.
  - ii. Whether there is any concerted attempt by to impact the prices.
  - iii. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
  
4. **Activity of Client(s)/Group of Client(s) is concentrated in a few illiquid securities/contracts or there is a sudden activity by Client(s)/Group of Client(s) in illiquid securities/contracts manifested in terms of volume as compared to the volume of the exchange or that of the Trading Member.** We need to review and examine the following;
  - i. Reasons for trading in such securities/contracts.
  - ii. Whether there is any concerted attempt to impact the prices.
  - iii. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
  
5. **Client(s)/Group of Client(s) dealing in in quantity of one share/commodity or trade in minimum lot size.** We need to review and examine the following
  - i. Reasons for such trading behavior.
  - ii. Trading pattern and repeated instances.

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6. **In accordance to the list of illiquid securities /contracts provided by exchanges, we need to review and examine the following;**
    - i. Whether there trading is sudden trading
    - ii. Whether there is any concerted attempt to impact the prices of such securities/contracts.
    - iii. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
    - iv. Probable matching of transactions with another client.
    - v. Apparent loss booking transactions in illiquid contract/securities
    - vi. Whether the transactions of are contributing to concentration or impacting the price.
  
  7. **Circular Trading:**
    - i. Continuous trading of client/group of clients in particular securities over a period of time.
    - ii. Client/group of clients contributing significant volume (broker and exchange level) in a particular securities– especially illiquid scrip and /or illiquid contracts
    - iii. 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 illiquid scrip etc.)
    - iv. Possible reversal of trades with the same group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip)
  
  8. **Pump and Dump:**
    - i. Activity concentrated in illiquid securities/contracts.
    - ii. Sudden activity in illiquid securities/contracts.
    - iii. Percentage of activity to total market in the scrip/contract is high.
    - iv. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.
  
  9. **Wash Sales or Reversal of Trades:**
    - i. Same Client) on both sides of the transaction. (i.e. same trade number on both the buy and sell side with us)
    - ii. Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days.
    - iii. One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options
  
  10. **Front Running:**
    - i. 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
    - ii. There is a consistent pattern of Client employees trading ahead of large buy/sell transactions.
  
  11. **Concentrated position in the Open Interest/high turnover concentration:**
    - i. Client having significant position in the total open interest of a particular securities/commodities.

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- ii. Client not reducing/closing their positions in spite of the securities/commodities being in ban period.
  - iii. Client activity accounts for a significant percentage of the total trading in the contract/securities at member and exchange level.
  - iv. Monitor the trading pattern of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.

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

- i. 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 securities/commodities/contract
- ii. 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.

**13. Large Trades (Quantity):**

- i. Consistent placement of large trades creating a false impression of depth in a particular scrip/contract
- ii. Repeated pattern of placement of large buy orders and/or simultaneous placement of sell orders to benefit from price rise or vice-versa.

**II. OFFLINE IN-HOUSE ALERTS**

1. **Report on Delivery based transactions:** Trades with delivery turnover contributing in value terms as stated below are generated :
  - a. CDS, F&O and Commodity Report on Delivery above Rs.2500000 & TO above Rs.5000000
  - b. Cash Report on Delivery above Rs.500000 & TO above Rs.2500000
  - i. In case if the name of any new client appears in this report and / or the name of the client comes again in the report after a period of 15 days to one month, then compliance team informs about the said trade details to the Risk Management (RMS) team,
  - ii. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.
2. **CASH Excess Volume (more than 5% of market volume) (equity segment)** Trades in equity segment contributing to more than 5% of the exchange volume are generated.
  - i. The records so generated are analysed vis-a vis exchange volume, repeated days of the trading and price volatility, company financials etc.
  - ii. In case of any repeated days of trading, contributing to significant exchange volumes and or price volatility or concentrated trading among selective group of client is observed, then in such instances after analysis appropriate steps are taken.
3. **CASH Excess Volume (more than 1% of market volume) (equity segment)** Trades in equity segment contributing to more than 1% of the exchange volume are generated.
  - i. The records so generated are analysed vis-a vis exchange volume, repeated days of the trading and price volatility, company financials etc.

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- ii. In case of any repeated days of trading, contributing to significant exchange volumes and or price volatility or concentrated trading among selective group of client is observed, then in such instances after analysis appropriate steps are taken.
4. **Illiquid scrip (equity segment)** Trades in equity segment for the illiquid securities (which have been identified as illiquid by exchange) are generated.
    - i. The records so generated are compared visa vis. exchange volumes, repeated days of trading, price volatility in the scrip.
    - ii. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
    - iii. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also is blocked from further trading.
  5. **F&O Profit/Loss & Futures Rate Fluctuation (equity derivatives)** Trades in equity derivatives for the above referred parameter which are generated in case of clients executing trades at price above 20% of the previous closing price and or incurring huge profits or losses are generated.
    - i. For the records generated under this alert are evaluated in case of any un-usual pattern clarification from the client/or branch is sought.
  6. **F&O Excess Volume (more than 5% of market volume) (equity and commodity derivatives)** Trades in derivatives and commodity derivative are generated in trades are more than 5% of market volumes
    - i. For the records generated under this alert are evaluated visa-vis the strike price, maturity date of the contract, type of derivative contract, underlying etc are analyzed and evaluated.
    - ii. In case if the name of any client appears in this report and / or the name of the client comes again in the report after a period of 15 days to one month, then compliance team informs about the said trade details to the RMS team.
    - iii. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.
  7. **Matching of Trades – all segments (equities and commodities)** The trades which get matched (applicable for all segments) at member level and or client level are generated under this alert.
    - i. 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.
    - ii. In case of illiquid scrip/contracts or significant volumes or price volatility observed, explanation is sought and or warning is issued to the client.
  8. **Disproportionate trading activity vs reported income / Net worth:** We are evaluating records on basis of Income Range of clients visa viz. their last 30 days trading turnover (Intraday and Delivery for cash segment) in each segment where they are registered, their receipt and payment details, off market transfers and pledge transactions.

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- i. The records so generated shall be evaluated and clients would be requested to update their income range and /or submit income details.
  - ii. In case of repeated records and /or adverse trading pattern and /or off market transfers, RMS team shall be cautioned and client categorization should be updated or client shall be refrained from trading /providing further demat services.
9. **Frequent changes in KYC submitted by clients:** This report generates records where clients who have changed this KYC details such as Address or Mobile number or Email id, Authorized Signatory, POA holder etc) in last 6 months and Off-market transfers (High Value) immediately after modification of details in demat account
- iii. The records generated to be evaluated as to whether updations done as registered under multiple segments/demat accounts, would verify requests and supporting received from clients.
  - iv. In case of repetitive records we seek reasons from KYC team and branch for such requests received. In case of any adverse trading pattern and /or off market transfers and/or deficiency in supporting documents, RMS team shall be cautioned and client categorization should be updated or client shall be refrained from trading /providing further demat services.
10. **Based on an announcement by listed company, identify client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company**
- a. For the records generated under this alert are evaluated in case of any un-usual pattern clarification from the client/or branch is sought
11. **Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities.** We have a report generated based on the combination of the following parameters
- a. One Day M2M loss, ranging from
    - i. Rs 25000 to Rs Rs 50000 to Rs,
    - ii. Rs 50000 to Rs,1,00,000
    - iii. Rs 1,00,000 to Rs 5,00,000
    - iv. Rs 5,00,000 and above
  - b. Aggregate loss of last 3 days
  - c. Delivery Turnover from Rs 50000 to Rs,1,00,000
  - d. Trading Tunover for equities and derivatives Rs 50,00,000 and commodity derivative Rs One Crore
  - e. Trading in inactive accounts in last one to three months
- i. In case if the name of any client appears in this report and / or the name of the client comes again in the report after a period of 15 days to one month, then compliance team informs about the said trade details to the RMS team.

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- ii. Thereafter RMS team does trade/ledger confirmation with the end client and accordingly updates the compliance team.
12. **Significant trading activity in scrips by client who has pledged the shares of same scrip.**  
case of concerns of trading activity of a client / group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis-a-vis the dealing office adder
- i. The records so generated are analysed vis-a vis exchange volume, repeated days of the trading and price volatility, company financials etc.
  - ii. In case of any repeated days of trading, contributing to significant exchange volumes and or price volatility or concentrated trading among selective group of client is observed, then in such instances after analysis appropriate steps are taken
13. **Monitoring of IP addresses of clients including identification of multiple client codes trading from same location:** The records are generated on basis of matching of "Mac IP" of client login visaviz states client who have login from same IP address.
- i. The records so generated are evaluated and need arises shall be verified with supporting documents and would seek reasons from branch/offices of the AP
  - ii. In case of any repeated instances, contributing to significant exchange volumes and or price volatility or concentrated trading among selective group of client is observed, then in such instances after analysis appropriate steps are taken such as blocking of IP address, refraining clients from trading etc.
14. **Verification of off market transfers in the demat accounts alongwith the reasons given for off market transfers:** The off market transfers amongst demat accounts, except for transfers relating to settlement obligations of clients, are verified in terms of DIS being on record, scrips, value of transfer, supporting documents to evaluate the reasons for off market transfers, verifying recordings of the call verification done by HO DP team with demat account holders and approvals for the transfers of significant value.
15. **Demat Accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts or newly opened demat accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or demat account becomes dormant after some time or frequent Off-Market transfers by a client in a specified period**
- i. The records so generated are evaluated and seek clarification from clients and in case of any adversity necessary actions shall be taken.
16. **Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.**
- i. The records so generated shall be evaluated and clients would be requested to update details with us.

- ii. RMS team shall be cautioned and client categorization should be updated or client shall be refrained from trading /providing further demat services.

**17. Graded Market Surveillance scrip (GSM) (equity segment)**

NSE vide its circular NSE/SURV/34262 dated February 23, 2017 and BSE vide its circular 20170223-44 dated February 23 2017 introduced Graded Market Surveillance (GSM) as introduced by equity exchanges, is on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, etc.

In addition to existing Surveillance actions being imposed from time to time by exchanges , securities shall be monitored for price movement by equity exchanges and based on pre-determined objective criteria shall attract following additional graded surveillance measures:

Stage	Surveillance Actions
1	Applicable margin rate shall be 100% And price band of 5% or lower as applicable
2	Trade for trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 50% of trade value to be deposited by the Buyers
3	Trade for trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday/1st trading day of the week) And ASD (100% of trade value) to be deposited by the buyers
4	Trade for trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday/1st trading day of the week) And ASD (100% of trade value) to be deposited by the buyers with no upward movement.

In view of the above, we have incorporated in our in-house software about records of the trading done in such securities:

- i. The records so generated are compared visa vis. exchange volumes, repeated days of trading, price volatility in the scrip.
- ii. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
- iii. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also is blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirit and accordingly deemed to be part of this policy.

**18. Additional Surveillance Measure (ASM) (equity segment)**

NSE vide its circular SE/SURV/37262 dated March 22 2018 and BSE vide its circular 20180321-46 dated March 21 2018 had informed that Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have implemented that along with other measures there shall be Additional



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Surveillance Measures (ASM) on securities with surveillance concerns viz. Price variation, Volatility etc.

Accordingly, exchanges would review identification of securities for placing in ASM Framework has been carried out. In addition to this, exchanges have issued other circulars from time to time reviewing the parameters for the ASM framework and accordingly updating the scrips in the said framework

In view of the above we have incorporated in our in-house software about records of the trading done in such scrips

- i. The records so generated are compared visa vis. exchange volumes, repeated days of trading, price volatility in the scrip.
- ii. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
- iii. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also is blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirit and accordingly deemed to be part of this policy.

**19. Additional Surveillance Margin for having carried substantial trading activity in scrips having unsolicited Messages.**

In continuation to various surveillance measures implemented by exchanges, NSE vide its circular NSE/SURV/37526 dated April 13 2018 and BSE vide its notice 201804013-47 dated April 13 2018 have issued directives wherein in stocks wherein unsolicited SMSs have been found to be circulated and have resulted in an increased trading activity, an additional surveillance margin of 25% shall be levied on the Trading Members who have a substantial trading activity in these stocks. The additional margin shall be applicable in Equity and Equity Derivatives Segment.

In view of the above the scrips which would be identified and communicated by exchanges would be refrained from further trading, trades in such securities if allowed after evaluation and approvals as stated in point \_\_, records would get generated wch would be monitored by Surveillance team and adhere to the guidelines stated in point \_\_\_of the policy.

**20. Caution towards dealing with Unsolicited Messages**

Exchanges have implemented various surveillance measures cautioning us on unsolicited messages being circulated by unregistered/unauthorised entities and advising us to carry out necessary due diligence before releasing the pay-out to their clients.

Exchanges have time to time published list of securities in which unsolicited messages are being circulated (“SMS Stocks”) are published, inter alia cautioning market participants against stock recommendations & to do thorough analysis about the company before investing.

Thus in line with the regulatory developments the following is being implemented

**a. Action applicable under ‘For Information list’:**

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List of securities in the 'For Information' list we shall conduct proper due diligence in case of unusual trading pattern by any client. In such cases we shall have to carry out adequate monitoring, to check the selling concentration/trading pattern of their clients in such securities. Surveillance team would evaluate and send to management for approval. Accordingly management shall allow /approve stating quantity and/or value allowed at client level and/or member level.

In addition this we shall also carry out due diligence and shall release the payout to their client only after carrying out further scrutiny of the following:

- i) Scrutiny of KYC documents to compare income range declared and value of such transaction,
- ii) Whether the client is directly/indirectly connected to the company/ promoters/ directors of the company, etc.
- iii) Method of acquisition of shares by client - whether on-market/off-market/IPO/Preferential allotment,
- iv) Whether source of funds and period of holding is not in line with the client's usual behaviour.

In case it is decided to withhold the pay-out to the client along with our rationale shall be informed to Exchanges within three days of withholding of pay-out.

The intimation shall be sent to BSE on [investigation@bseindia.com](mailto:investigation@bseindia.com) and NSE on [invg@nse.co.in](mailto:invg@nse.co.in)

**b. Action applicable for 'Current Watch list':**

In case Exchanges publish list of securities in 'Current Watchlist' scrips would be blocked for further trading, if to be allowed surveillance team would evaluate and send to management for approval. Accordingly management shall allow /approve stating quantity and/or value allowed at client level and/or member level.

Also exchange may refrain from further trading and would proceed with directives as applicable from time to time, as on date of the policy being adopted :

- a. Exchange shall inform us if we are having significant selling concentration of clients in the SMS Stocks and accordingly we have to withhold sale proceeds of the shortlisted clients.
- b. We shall make all efforts to bring the funds back from clients else Trading member shall transfer his own funds / securities to the extent of deficit to the designated bank / demat account.
- c. Such withholding of funds shall be applicable for transactions executed for a period of past 7 calendar days (on retrospective basis) from the date of entry in Current Watchlist. Such 7 calendar days may also be prior to date of entry of stock into the 'For Information list'.
- d. No further transactions are allowed in such shortlisted securities.
- e. Sales Proceeds so withheld in form of funds / securities which shall be transferred to designated accounts which has been opened and operated by our operations and settlement team,
- f. Compliance officer shall submit
  - a. confirmation to Exchanges after transferring the requisite funds to the designated account.

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- b. duly certified letter from designated bank / depository participant confirming the balance on a monthly basis.
  - c. on a monthly basis shall submit a compliance status w.r.t withholding of sales proceeds (i.e. valuation and details of stocks / funds withheld). The intimation shall be sent to BSE on [investigation@bseindia.com](mailto:investigation@bseindia.com) and NSE on [invg@nse.co.in](mailto:invg@nse.co.in)
  - iv. We shall seek exchange guidance as how to abide to the exchange directives s,

Note: Withholding of sale proceeds may be in form of cash or cash equivalents or in form of securities forming part of S&P BSE 500 or NSE 500 with a hair – cut of 30% or applicable VAR whichever is higher, shall only be considered as collateral in lieu of funds required to be withheld.

Replace the securities in case of any change in the composition of S&P BSE 500 or NSE 500

Any fall in value of securities shall have to be compensated by bringing in additional eligible securities from time to time and shall maintain audit trail of such changes.

**c. Designated Account details:**

We shall allocate designated bank account and designated demat account the aforementioned purpose.

**a. Holding Period of Funds and Securities withheld**

Funds / securities withheld by the trading members shall be retained for a period of 1 year or till completion of examination whichever is earlier. Post elapse of such period as referred above, upon intimation by the Exchange the withheld funds / securities shall be released by the trading members after providing necessary undertaking as guided by the Exchange.

**III. ONLINE IN-HOUSE ALERTS**

The following are the various alerts, wherein the records coming under these alerts are analyzed with the financials of the company, repetitive nature of the instances, volumes and or price volatility. These alerts are observed by RMS on real time basis and in case of any suspicious nature, appropriate reasons are sought from the branch/franchisee/clients. We have summarized the online alerts which are being monitored as on date:

1. **Module of Online Trade Matching Popup:** In this module all the trades that get matched can be viewed and thereafter further verification and/or analysis is done.
2. **Module of Online Delivery Tracker:** This report provide the trades of the clients who take delivery above Rs. 5 lacs in value terms or all delivery above 10,000 in quantity terms (this limit is modified on time to time basis).
3. **Module on Online Ban Scrip Position Tracker:** This report provides the records in case any client takes position in “Ban” security, then we can come to know via this pop up that position is open and may attract penalty in case position is carried further.
4. **Module on Unregistered/Inactive Client Trade:** This report shows that in case any client is inactive as per our backoffice software or not registered, in spite of which trade is done the details can be ascertained via trading terminal and can be restricted from

further trading and to complete the reactivation/registration process as the case may be.

#### **IV. ADDITIONAL MONITORING**

1. Not allowing trades of entities which are banned by SEBI/Exchange/other regulators/banned under the UNC list. 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. Likewise, demat account numbers provided to the demat account holders only after obtaining the Client registration forms and activating the same into the DP system.
4. Clients who have debit balance in their ledgers continuously for a certain period of time or who default in making payment/delivery. This is monitored by our RMS team who dedicated does follow up with the clients/branches/AP's and also restricts from further trading.
5. Verification of FIU alerts sent by the depository: The alerts sent by CDSL, are verified on monthly basis, to ascertain reasons and relationship of transfers, scrips and value of transfer.
6. Verification of records coming in BULK /BLOCK reports provided by the exchanges: The records coming under Bulk deal are verified to evaluate scrip traded, frequency of trading and records come under Block deals in addition to the above are verified to ascertain approvals being in place.
7. Blocking of Scrips at member level: Those scrips which are fundamentally weak and not having sound financials, or trading in such scrips, could result into market abuse are blocked at trading member level. In case, trading has to be allowed under exceptional circumstances, the same is done with proper evaluation of scrip, number of shares to be traded, client/branch intending to trade. A brief of the categories of scrips which are blocked at trading member level are as follows:

<b>Category</b>	<b>Brief particulars</b>
"Z"	This includes companies which have failed to comply with listing requirements and/or have failed to resolve investor complaints and/or have not made the required arrangements with both the depositories, for dematerialization of their securities.
"ZP"	Scrips of Non-compliant companies (Noncompliance with clauses of Listing Agreement) & traded and settled in Physical mode/ Optional Demat mode
"M"	SME Segment on BSE except those after being analysed of having sound financials
"MT"	SME Segment on BSE - trade to trade except that those which after being analysed of having sound financials
"P"	Physical category

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8. **Review of scrips blocked/refrained from trading:** In addition to blocking of scrips as stated in point 8 above, there would be review of scrips which are fundamentally weak and not having sound financials, or trading in such scrips, coming under the GSM/ASM category, any communications from surveillance division of the exchanges etc all which could result into market abuse would be refrained from further trading at member level.

For the above, there would be a quarterly MIS of list of scrips blocked by RMS team would be provided to Compliance Officer.

The Compliance Officer would present summary of same in upcoming board meetings in suggestive format as given below:

*Scrips blocked for the quarter ended as on \_\_\_\_\_*

<b>Sr No.</b>	<b>Category</b>	<b>Number of scrips</b>

**C. ANALYSIS AND OBLIGATIONS**

**Obligations w.r.t. client due diligence and processing of alerts:**

The following activities required to be carried out, for client due diligence on an on-going basis

We need to ensure that, key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.

Based on available information, shall establish groups / association amongst clients, inter-alia, to identify multiple accounts / common account / group of clients.

Shall obtain trading rationale and necessary documentation including bank statements, demat statements for analyzing / processing the alerts.

After analyzing the documentary evidences, shall record its observations for such identified transactions of its client / group of clients

With respect to the transactional alerts downloaded by the Exchange, it shall be ensured that all alerts are analyzed and status thereof including action taken is updated within 30 days

With respect to the transaction alerts generated by exchanges/CDSL, it shall report instances with adverse observation, along with details of action taken, to the Exchanges within 45 days and CDSL within 7 days respectively

**D. REPORTING AND REVIEW**

**Obligation of Quarterly reporting of status of the alerts generated :**

We need to share approved status of the alerts on a quarterly basis, in the following format to the Exchanges/CDSL within 15 days from end of the quarter.

**A. Status of Alerts generated by the Trading member:**

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts verified & closed in the quarter	No. of alerts referred to Exchange (*)	No. of alerts pending / under process at the end of quarter

**B. (\*) Details of alerts referred to the Exchange:**

Sr. No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

**C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:**

Sr. No.	Brief action taken during the quarter

In case not alerts we, need to submit 'NIL Report' within 15 days from end of quarter.

The above details shall be uploaded to the exchanges/CDSL within 15 days from end of the quarter.

**Obligation of Surveillance team ,Compliance officer, Designated Director and Internal Auditor:**

Principal Officer under the PMLA directives/ Surveillance team and 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.

The surveillance activities shall be conducted under overall supervision of its Surveillance team and Compliance Officer.

A quarterly MIS shall be put up to the Designated Director on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the Designated Director shall be apprised of any exception noticed during the disposition of alerts.

Designated Director would be responsible for all our surveillance activities

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.

The surveillance policy of the Trading Member is subject to review on an annual basis so as to incorporate major developments and is subject to approval by the Board of Directors.

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Any regulatory developments/directives which are issued prior to forthcoming review of this policy would be implemented within the time frame given in the directive and subsequently would be adopted by the Board of Directors subsequently.

**Exchange Penalty provisions in case of late / non submission of Quarterly Reporting of and Disciplinary action for non fulfillment of Surveillance obligation**

In case of late / non submission of quarterly reporting of the alerts we shall be liable for penalty as given below:

<b>Submission of status report beyond stipulated period</b>	<b>Penalty to be imposed</b>
1st instance	Rs. 10,000 per day till submission of quarterly report
2nd instance onwards	Rs. 20,000 per day till submission of quarterly report

Exchanges during investigation / inspection, if it is observed that we have not fulfilled our surveillance obligations, then appropriate disciplinary action shall be initiated against us

Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of transactional alerts downloaded by the Exchange and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Rules, Bye-laws and Regulations of the Exchange.

**E. RECORD MAINTENANCE**

We shall maintain and keep such important records and documentary evidences that have been analyzed/taken by us either in soft copy or in hard copy for the time period as prescribed by the regulatory authority. We shall produce such records as and when asked by exchanges or by the regulatory authority.

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.

This policy is applicable to GAINN FINTECH PRIVATE LIMITED