

SURVEILLAINCE POLICY

Nirman Share Brokers Pvt Ltd.

Registered Address:- Nirman Share Brokers Pvt. Ltd., "NIRMAN HOUSE" 8, Zone - 1, M. P. Nagar, Bhopal – 462011 Madhya Pradesh Ph:- 0755-4311111 email- info@nirmanbroking.com

SEBI Registration No.INZ000197638

BSE Cash/F&O/CD (Member ID:956)

NSE Cash/F&O/CD (Member ID:12309)

CDSL (DP ID 12059500): IN-DP-CDSL-494-2008

Surveillance Policy

Objective:

Surveillance function helps in achieving objectives of:

Maintaining integrity of the market,

Monitoring and identifying suspicious/manipulative transactions,

Curbing suspicious/manipulative activities at nascent stage.

Minimizing business risk through better profiling of clients and transactions.

Background:

Surveillance is the process 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, the Trading Members should have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

Scope of the Policy:

The policy covers the various surveillance alerts generated / received from the depository for identifying suspicious transactions, analysis of these alerts, methodology of reporting the alerts to the exchange/ FIU/ appropriate authorities.

Types of Surveillance alerts: A. Alerts received from depository and Exchanges (NSE/BSE). They will share surveillance alerts for the trading done by the clients which needs to be downloaded by the Trading Members for detailed analysis.

Following are the alerts which are provided by exchanges:

Sr. No.	Transactions Alerts	Segment
1	Significantly 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	Cash
9	Wash Sales of Trades	Cash
10	Reversal of Trades	Cash
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Cash
13	Order book spoofing i.e. large orders away from market	Cash

Alerts to be generated from Back office for Depository

- Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the Participant.
- Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- Frequent Off-Market transfers by a client in a specified period
- Off-market transfers not commensurate with the income/Networth of the client.
- Pledge transactions not commensurate with the income/Networth of the client.
- Off-market transfers (High Value) immediately after modification of details in demat account
- Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
- Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.

Downloading and analyzing alerts by Compliance Team:

The alerts provided by exchanges and depository shall be downloaded on regular basis by the Compliance department from respective exchange/ depository system for an in depth analysis. The alerts shall be analyzed based on type of alert, client's past trading pattern, clients occupation, clients financial review , other connected clients in our database, etc. The alerts which are found to be suspicious and of which the Compliance Team is of the opinion that the 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 clarification and scrutiny.

Steps to be taken for analysis of each alert by Compliance Team:

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

Whether such volume is justified given the background of the client and his past trading activity.

Cumulative amount of funds that was brought in by the Client(s)/Group of Client(s) 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 Client(s)/Group of Client(s) are contributing to concentration or impacting the price.

Sudden trading activity in dormant accounts-

This refers to such cases where the client has not traded more than 12 months and suddenly starts/resumes trading in stocks or low market capitalized scrips or enters into transaction which is not in line with his financial strength. In such cases following shall be reviewed and examined:

Reasons for trading in such scrips/contracts.

Whether the client is only placing the order or is it some third party.

Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips/contracts through use of such dormant accounts.

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 through use of such dormant accounts.

Clients/Group of Client(s), dealing in common scrips:

Such dealing is contributing significantly to the volume of the scrip at Quant level and at the stock exchange level. The following shall be reviewed and examined:

Reasons for trading in such scrips.

Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips.

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.

Client(s)/Group of Client(s) concentrated in a few illiquid scrips:

The following shall be reviewed and examined:

Reasons for trading in such scrips.

Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips.

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.

Client(s)/Group of Client(s) dealing in scrip in minimum lot size/ Concentration in a scrip:

The following shall be reviewed and examined: } Reasons for such trading behavior.

Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.

Whether such transactions indicates towards probability of illegal trading at the clients' end.

Circular Trading:

Continuous trading of client/group of clients in particular scrip over a period of time.

Client/group of clients contributing significant volume (broker and exchange level) in a 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).

Pump and Dump:

Activity concentrated in illiquid scrips.

Sudden activity in illiquid securities.

Percentage of Client(s)/Group of Client(s) activity to total market in the scrip/contract is high.

Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.

Wash Sales or Reversal of Trades:

Same Client(s)/ Group of Client(s) on both sides of the transaction. (i.e. same trade number on both the buy and sell side)

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.

One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options.

Front Running:

Trading, by Client(s)/ Group of Client(s)/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.

There is a consistent pattern of Client(s)/ Group of Client(s)/employees trading ahead of large buy/sell transactions.

Concentrated position in the Open Interest/high turnover concentration:

Client(s)/Group of Client(s) having significant position in the total open interest of a particular scrip.

Client(s)/Group of Client(s) not reducing/closing their positions in spite of the scrip being in ban period.

Client(s)/Group of Client(s) activity accounts for a significant percentage of the total trading in the contract/securities at the Trading member and exchange level.

Monitor the trading pattern of Client(s)/Group of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.

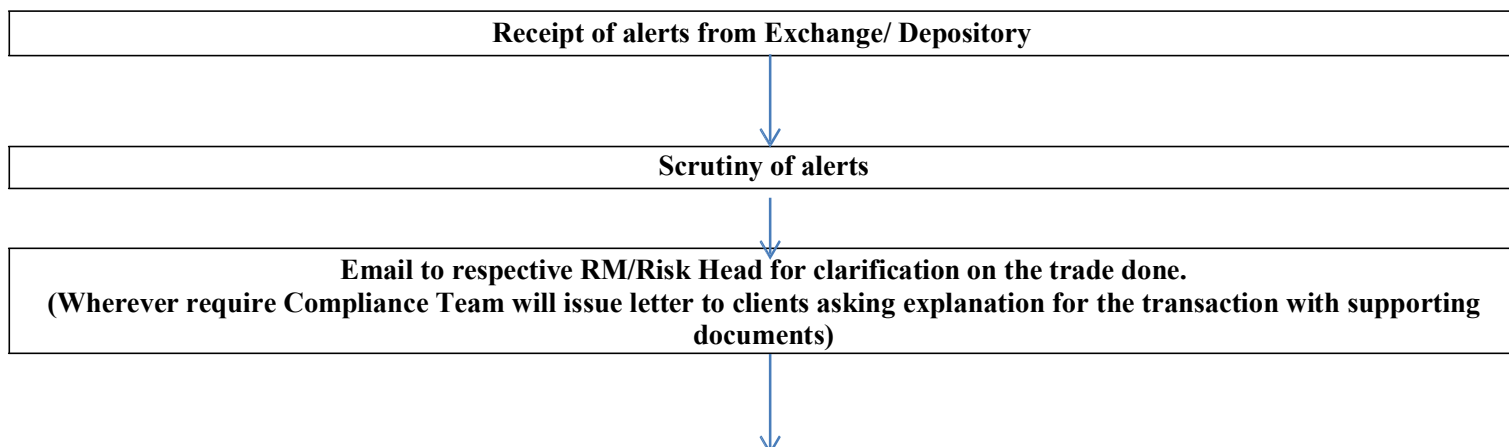
Order book spoofing i.e. large orders away from market :

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.

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.

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

Compliance Team shall conduct an in depth scrutiny of alerts received from Exchanges/ Depository. Each alert shall be studied with Root Cause Analysis (RCA) approach. The following shall be the process flow:



Follow up with RM and getting the necessary explanation from clients along with the relevant documentary evidence



On receipt of suitable explanation from the RM/Risk Head/Client, Compliance team will analyze the alert and would revert appropriately to the respective Exchange/ Depository



In case the alerts are found to be of such a nature which needs to be reported to FIU the same shall be done with the approval of Principal Officer of the Company.

It is to be 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 the 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 and review of process:

In relation to Exchanges

- An excel sheet shall be maintained by the Compliance Team wherein in the details of each alert, from the exchange shall be backed by necessary supporting documentary evidence substantiating the reason for reporting/non reporting explanation sought from client, documentary evidence collected from clients, reason 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.

In relation to Depository

- Register (electronic/physical) shall be maintained for recording of all alerts generated.
- While reviewing alerts, concerned person shall obtain transaction rationale, verify demat account statement and also obtain supporting documents as required from the client.
- After verifying the documentary evidences, team shall record its observations for such identified transactions of its Client.
- With respect to the transactional alerts to be provided by Depository, team shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the CDSL portal. The procedure w.r.t sharing of alert by CDSL with Participants and report submission by Participants in this regard will be provided separately.
- With respect to the alerts generated at the Participants end, Participants shall report instances with adverse observation, along with details of action taken, to CDSL within 7 days of the date of identification of adverse observation. Detailed procedure w.r.t reporting of alert by Participants will be provided separately.

Client(s) Information:

1. The Company is required to carry out the Due Diligence of its client(s) on a continuous basis.
2. The Company shall ensure that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.
3. Based on KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

1. Time frame for disposition of alerts

The monitoring of the aforementioned alerts and disposal procedure shall be done within 30 days of the alert generation.

2. Suspicious / Manipulative activity identification and reporting process:

- a. Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account are required to be identified and should be reported accordingly.
- b. In view of the above, the Company shall download the aforementioned alerts in addition to the existing internal monitoring of the transactions.
- c. Upon receipt of alerts, the same are to be forwarded to the concerned dealer/RM of the client(s) seeking an explanation/clarification from the client(s) reason behind carrying out such trade(s) in their accounts.
- d. In addition to above, the Company also seeks documentary evidence from clients such as bank statement / updated financial statement.
- 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.
- ii. In case of securities, demat account statements of the Client(s)/ Group of Client(s) from which securities pay-in has been met, to be sought. 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.
- e. After analyzing the documentary evidences, the Company should record its observations for such identified transactions or Client(s)/Group of Client(s).
- f. In case adverse observations are recorded then Company shall report all such instances to the Exchange within 45 days of the alert generation.
- g. The Company may seek extension of the time period from the Exchange, wherever required.

3. Record Maintenance

As per the company's Anti Money Laundering policy, the background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall be examined carefully & finding shall be recorded in writing.

Documents & records should be made available to auditors & SEBI /Stock Exchanges / FIUIND etc. Records are required to be preserved for 5 years.

4. Maintenance of MIS

- 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, 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 Board shall be apprised of any exception noticed during the disposal of alerts.

5. Role of Compliance Officer & Designated Directors

As indicated by circulars on the surveillance obligations of TM issued by BSE & NSE and DP by Depository:

- The Compliance Officer shall supervise the overall process of surveillance and reporting and shall be responsible for the record maintenance and reporting of such activities.
- Designated Directors and Compliance Officer would be responsible for all surveillance activities carried out by the Company.

- Internal auditor of Participant 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.
- Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.
- This Surveillance Policy is subject to the review of the Internal Auditor of the Company, who shall verify its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor may record the observations with respect to the same in their report.

The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, officials are required to exercise their independent judgment and take adequate precaution.