

NVS Brokerage Private Limited

SURVEILLANCE POLICY

Objective:

The objective of this policy is to have in place effective market surveillance mechanism to ensure investor protection & to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations on the market & to pursue appropriate preventive actions to avoid disruptions to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. The monitoring is required to analyze 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 shares, which is against the fundamental objective of the Securities Market.

Background:

NSE vide circular no. NSE/INVG/22908 dated March 07, 2013 intimated that the Exchange would be downloading the following alerts based on the trading activity of the client for effective surveillance mechanism and directed the stock brokers to frame a surveillance policy for the same. The surveillance policy shall cover the maintenance and disposition of alerts received from exchange/generated at our end.

Transactional alerts provided by the Exchange

Sr. No	Transactional 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 & Dump (Pump and Dump involves 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 Sales is a transaction where an investor/trader sells a losing security to claim a capital loss, only to repurchase it again for a bargain. This method is generally used for traders /investors to evade tax on capital gains.)	Cash
10	Reversal of Trades	Cash
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/leveraged positions in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from the market	Cash

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Terms used in this policy:

Alerts: Referred as transactional alerts arising due to sudden significant increase in client activity, sudden trading activity in inactive/dormant accounts, clients/group of clients dealing in common scrips, illiquid scrips minimum lot size/or single scrip, large orders away from the market, concentrated position in the open interests/high turnover concentration, circular trading, pump and dump, reversal of trades, wash sales, front running.

Monitoring and reporting

Following procedure will be 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.

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Policy:

Transactional alerts

In accordance with the circular no. NSE/INVG/22908 dated 07th March, 2013 issued by National Stock Exchange and are in order to maintain the records of the transactional alerts received from exchanges or generated at our end, the following steps would be taken to review and dispose the alerts.

1. Review the type of alert downloaded by the exchange or generated at our end.
2. Financial details of Clients.
3. Past Trading Patterns of the client/ client groups.
4. Bank / Demat Account transactions.
5. Other connected clients having common Email-id/mobile number/address or any other linkages etc.
6. Other publicly available information.

On the receipt of the above information, analyze the alerts in generated and in case any adverse findings/comments, the same shall be communicated to the Exchange within 45 days from the alert generation.

Client(s) Information:

Clients due diligence would be done on a continuous basis. Client Information/Financial Information should be updated once in every year through periodic review and relevant documents pertaining to financial details need to be obtained from the client.