SURVEILLANCE POLICY

The Company is adhered to follow all the laws and Compliances in relation to the Surveillance Policy and detect unfair transactions that may violate securities related Laws, rules and regulations. The Company is a Registered Trading Member and Depositary Participant. Surveillance Policy is being formulated, incompliance with Circular No. NSE/SURV/48818 dated July 01, 2021 & BSE Notice No 20210107-30 dated 01.07.2021 and CDSL Circular No. CSDL/OPS/DP/SYSTM/2021/309 dated 15.07.2021 dated July 1, 2021 BSE Notice No 20210701-30, NSE Circular No.: 452/2021 and CDSL Communique dated July 15, 2021, Ref. No.: CDSL/OPS/DP/SYSTM/2021/309 and SEBI Circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 dated March 23, 2023 and/or as mandated by Securities Exchange Board of India, Stock Exchanges and Depositories.

SURVEILLANCE POLICY FOR STOCK BROKING OPERATIONS

The Stock Exchange(s) are providing alerts based on predefined criteria to the all the stockbrokers through their portals. As per applicable Circulars, the Company is reviewing these alerts and taking appropriate actions after carrying out due diligence viz. either disposing off alerts with appropriate reasons/findings recorded or filing Suspicious Transaction Report (STR) with FIU-India in accordance with provisions of PMLA (Maintenance of records) Rules, 2005.

The key managerial personnel and senior management including Designated Directors of the Company have adequate systems for surveillance of trading activities and internal control systems to ensure compliance with all the regulatory requirements as specified by the Regulators from time to time, for the detection, prevention and reporting of potential fraud or market abuse by its clients, employees or Authorised Persons.

The Company will have regard to the nature of business and the size of its operations, establish and maintain adequate surveillance system for monitoring the orders and trades and internal control procedures, in order to detect potential fraud or market abuse by its clients, employees or Authorised Persons.

The thresholds for generation of alerts for various scenarios will be set at a reasonable level and be documented along with clear rationale for the same.

The Board of Directors and all the Senior Management of the Company shall review and update the systems, processes, and control procedures on a periodic basis and in any case not less than once in a calendar year, to keep pace with the developments in the securities market and regulatory changes, including the progressive adoption of automated know your client procedures and the order and trade surveillance systems to enhance the monitoring of trading activities.

The Company will have adequate systems in place to ensure that its proprietary accounts are used only for the purpose of carrying out proprietary trades and that its operations are in accordance with the requirements as may be specified by the Regulators from time to time.

The employee of the Company, upon having knowledge of any fraud, market abuse or suspicious activity shall forthwith inform the same to the head of the department or any senior official.

The Audit Committee or the Board of Directors or persons will review the compliance with the provisions of the framework under this Chapter of these regulations not less than once in a quarter and shall verify the adequacy and efficiency of the systems for internal control and reporting by analysing the relevant data.

The Company on the detection of any suspicious activity, inform the same along with the details to the stock exchanges, as soon as reasonably possible, but in any case not later than forty eight hours from such detection, in such manner as may be specified by the Board or the stock exchanges from time to time.

TYPE OF TRANSACTIONAL ALERTS CAN BE DETAILED AS

Transactional Alerts of Cash Segment

- Significantly increase in Client Activity
- Sudden Trading activity in dormant account
- Clients/Group of client(s), deal in common scrips
- Client(s)/Group of Client(s) is concentrated in a few illiquid scrips
- Client(s)/ Group of Client(s) dealing in scrip in minimum lot size
- Client/ Group of Client(s) Concentration in a scrip
- Circular Trading
- Pump and Dump
- Reversal of Trades Cash & Derivatives
- Front Running
- Concentrated position in the Open Interest/High turnover concentration Derivatives
- Order Book Spoofing i.e. large orders away from market

Transactional Alerts of Cash & Derivatives Segment

- Reversal of Trades

Transactional Alerts of Derivatives Segment

- Concentrated position in the Open Interest/High turnover concentration

Alerts Generated by the Company as per given Exchange Circulars:

- Trading activity in a single day by one client or group of clients who have contributed more than 25% in a single scrip or a single derivative contract.

- If the contribution of any client who had reactivated his account and invest more than 50% of the total trading volume of a single scrip or derivative contract in a single day.

- Client or a group of clients dealing frequently in small quantities in a scrip.
- If there is disproportionate found in Trading activity of client and its net worth or income

- If there is a frequent Changes in address (Demographic details), mail id mobile no bank details etc.

- If it is found that there is a direct or indirect link between the Company and the Investor or group of investor or that they have executed any transection prior to any dissemination of any price sensitive information

- If the Current Watch List and Information List of the Client having more than 20% volume of any scrip listed

- Any Client with an objective of transferring of profits or losses have executed trades.

- Any client which persistently earn or incur high amount of loss through their trading activities

- A client who is holding more than 5% of paid up capital of a listed company and has pledged 100% of it's holding for margin purpose who has also significant trading volume in the same scrip

- If the order placed and and the place/ Address of the of the client is different

- A client having demat account with the company and who has holding in a scrip of more than 5% of paid up capital of a listed company which has received the same shares though off-market transfer.

- Any Client having more than 5% of paid up capital of a listed company and who has received the same shares though off-market transfer.

- Any client who has received shares of a listed company through multiple off- market transfer and has pledged such shares.

- Identification of IP addresses of clients to identify multiple client codes Page 3 of 8 trading from same IP address.

- Clients who are connected with each other as per key KYC parameters of the clients as Updated by respective client.

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SURVEILLANCE POLICY FOR OPERATIONS AS DEPOSITORY PARTICIPANT

Depositories are providing transactional alerts on biweekly basis based on threshold defined by NSDL / CDSL to the all the DPs report download utility. As per applicable Circular, the company is reviewing these alerts and taking appropriate actions after carrying out due diligence viz. either disposing off alerts with appropriate reasons/findings recorded or filing Suspicious Transaction Report (STR) with FIU-India in accordance with provisions of PMLA (Maintenance of records) Rules,2005.

ALERTS THAT WILL BE MONITORED AND GENERATED

- Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details / address. While reviewing BO account details, the details of existing BO shall also be considered.
- Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
- BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, bank details, POA holder, Authorized Signatory etc. at least twice in a month.
- Frequent off-market transfer of securities more than twice in a month without genuine reasons.
- Off-market transactions not commensurate with the income/net worth of the BO.
- Pledge transactions not commensurate with the income/net worth of the BO.

- High value off-market transfer immediately after modification of either email ID/mobile number / address without genuine reason.
- Review of reasons for off-market transfer provided by the BO which appears non-genuine based on either profile of the BO or on account of reason codes, including frequent off-market transfer with reason code gift/donation to unrelated parties and/or with reason code off- market sales.
- Sudden increase in transaction activity in a newly opened account in a short span of time.
- An account in which securities balance suddenly reduces to zero and an active account with regular transaction suddenly becomes dormant. The stock broking operation shall identify suspicious/manipulative activities under taken by any client through monitoring of order(s) and trade(s).

PROCESSING AND REVIEW AND DISPOSAL OF ALERTS:-

The surveillance process shall be conducted under overall supervision of its Compliance Officer and he/ she shall be the designated official tasked with the review, processing and disposal of alerts.

If the designated official finds after review and due diligence that the alert is required to be closed, the official shall close the same with appropriate remarks.

If the designated official after due diligence and making such inquiry, as such official finds necessary, comes to a conclusion that the given alert warrants an action, the official will forward the same with his/her views to the Designated Director for his/her approval.

In order to review, analyze and dispose off the alerts, the designated official may:-

- Seek explanation / information from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/ email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to source of funds and securities, economic sense and trading pattern.

- Seek documentary evidence such as Bank Statement / Demat Transaction Statement, Financial Statements or any other documents to support the trading pattern of the client.

After analyzing the documentary evidences, including the Bank / Demat statement, the observations shall be recorded for such identified transactions or Client(s) / Group of Client(s).

If the designated official finds that action in respect of such alert is warranted, he/she shall take such actions including filing STR with FIU-India, informing to Stock Exchanges and Depository and/or discontinue the relationship with the client.

In case of adverse observations, the report of such instances along with adverse observations and details of actions taken shall be submitted to the Stock Exchanges/ Depository within 7 days from date of identification of such instances.

In case the client does not cooperate or does not revert within reasonable period, Exchange to be informed based on the information available with the member.

All efforts shall be made to dispose off a given alert within 45 days of its receipt / generation.

The records of alerts generated, disposed of as closed and details of action taken wherever applicable

shall be maintained with such security measures as would make such records temper proof and the access is available on to designated officials under the supervision of the Compliance Officer

MONITORING AND RECORD MAINTENANCE

The surveillance process shall be conducted under overall supervision of its Compliance Officer and based on facts and circumstances, he / she is required to take adequate precaution.

A quarterly MIS shall be put up by the Compliance Officer to the board and the Designated Director giving number of alerts generated during the quarter, number of alerts closed, number of alerts on which action taken with details of action taken and number of alerts pending at the end of the quarter along with reasons for pendency and action plan for closure. The Board as well as the Designated Director shall be appraised of any exception noticed during the disposal of the alerts

Reasons for pendency shall be discussed and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

Internal auditor shall review this 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.

REPORTING OF ALERTS

The Company shall provide duly approved status of the Alerts on a Quarterly basis to the exchange in the format prescribed by the exchange within 15 days from the end of the quarter.

In case zero alert during the quarter, NIL report need to be submit to the exchange as per the prescribed format.

It was also informed to the Company "With respect to the transactional alerts shall are reviewed, and status thereof are checked and compliance is submitted within 30 days.

REVIEW POLICY

This policy will be reviewed by the Designated Director, as and when there are any changes introduced by any statutory authority or at least once in a year to ensure that same is updated as per market trends and prescribed circulars from time to time .

This policy(s) has been approved by the Board of Directors of the Company in the Board Meeting held at the Registered Office of the company on 10.08.2024.

For Inani Securities Limited

Lakshmikanth Inani
DIN: 00461829
Managing Director/ Compliance Officer