

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ 000224427

SURVEILLANCE POLICY

The Trading Member has laid down policy guidelines, which have been framed in the light of Circulars issued by Exchanges. In pursuance of said circulars Saroj Securities is implementing this surveillance policy applicable to all our clients.

Objective of this policy

- Alerts to be generated.
- 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

Duties and Responsibilities

This Surveillance policy shall be approved by the all partners of Saroj Securities and a quarterly MIS shall be put up to all the partners on the number of alerts pending at the beginning of the following quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Further, reasons for pendency along with appropriate action taken to resolve them shall be discussed. Board shall be appraised of any exception noticed during the disposition of alerts.

Designated Partners/ Compliance officer shall be the responsible for all surveillance activities carried out by Saroj Securities , maintenance of record and reporting of such activities.

Transaction Alerts

Our surveillance desk shall download all the below mentioned alert based on the trading activity of client provided by the exchange.

S. No.	Transaction Alerts	Segment
1	Significantly increase in client activity	CASH / FO
2	Sudden trading activity in dormant account	CASH / FO
3	Clients/Group of Client(s), deal in common Securities	CASH
4	Client(s)/Group of Client(s) is concentrated in a few illiquid Securities	CASH
5	Client(s)/Group of Client(s) dealing in Securities in minimum lot size	CASH
6	Client / Group of Client(s) Concentration in a Securities	CASH

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7	Circular Trading	CASH
8	Pump and Dump	CASH
9	Reversal of Trades	CASH
10	Front Running	CASH
11	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
12	Order book spoofing i.e. large orders away from market	CASH

A. EXCHANGE ALERTS

- 1. Significantly increase in Client 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 an analysis on parameters such as;
 1. Whether such volume is justified, give the background of the client and his past trading activity.
 2. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
 3. Whether such inflow of funds is in line with the financial status of the client.
 4. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.
- 2. Sudden trading activity in dormant accounts-**An inactive client trading starts/resumes trading and additionally the client starts trading in illiquid stocks or low market capitalized Securities or enters into huge transactions not to commensurate with the financial strength of the client, we have to review and examine the following;
 1. Reasons for trading in such Securities/contracts.
 2. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices.
 3. 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.

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3. **Clients/Group of Client(s), deal in common Securities/contracts contributing significant to the volume of the Securities/contract at the Trading Member level and at the stock exchange level.** We need to review and examine the following;
 1. Reasons for trading in such Securities/contracts.
 2. Whether there is any concerted attempt by clients/group of clients to impact the prices.
 3. 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) 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;
 1. Reasons for trading in such Securities/contracts.
 2. Whether there is any concerted attempt to impact the prices.
 3. 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 Securities in quantity of one contract or trade in minimum lot size.** We need to review and examine the following
 1. Reasons for such trading behavior.
 2. Trading pattern and repeated instances.

6. **In accordance to the list of illiquid Securities/contracts provided by exchanges,** we need to review and examine the following;
 1. Whether there trading is sudden trading
 2. Whether there is any concerted attempt to impact the prices of such Securities/contracts.
 3. Whether there is any concerted attempt to indulge in movement of Profit/loss from one client to another.
 4. Probable matching of transactions with another client.
 5. Apparent loss booking transactions in illiquid contract/Securities.

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6. Whether the transactions of are contributing to concentration or impacting the
Price.

7. Circular Trading:

1. Continuous trading of client/group of clients in particular Securities over a period of time.
2. Client/group of clients contributing significant volume (broker and exchange Level) in a particular Securities – especially illiquid Securities and /or illiquid contracts
3. 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 Securities etc.)
4. 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 Securities)

8. Pump and Dump:

1. Activity concentrated in illiquid contracts.
2. Sudden activity in illiquid contracts.
3. Percentage of activity to total market in the Securities/contract is high.
4. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.

9. Reversal of Trades:

1. Same Client on both sides of the transaction. (i.e. same trade number on both the buy and sell side with us)
2. 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.
3. One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options.

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10. Front Running:

1. 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.
2. 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:

1. Client having significant position in the total open interest of a particular Securities.
2. Client not reducing/closing their positions in spite of the Securities being in ban period.
3. Client activity accounts for a significant percentage of the total trading in the contract at member and exchange level.
4. 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:

1. 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/contract.
2. 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.

B. Analysis

In order to analyze the trading activity of the Client/ scrips identified based on above alerts, we can do the following: -

- a. Shortlist Client for further analysis.
- b. Seek explanation from such identified Clients.

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- c. Seek documentary evidence such as bank statement/demat transaction statements of last 6 months to 12 months period, to satisfy ourselves.
- d. On the basis of information received from the client and after proper evaluation and analysis, we decide our steps for suspending client code and /or the scrip from further trading.

C. Reporting

A daily reporting of the alerts to the principal officer and presenting quarterly MIS to the Board of Directors if there are alerts received, whether disposed off during the quarter or are pending at the end of the quarter and the reasons for pendency should be discussed and appropriate action to be taken for disposing the alerts.

In case adverse observations are recorded, we shall report all such instances to the Exchange within 45 days of the alert generation.

In case of extension is required, we shall send a request to exchange for a period of extension.

If explanation on the same is not be satisfactory / reply is not receive within time period, as above mentioned, we will suspend the client from trading and report the instance to Regulators (if found suspicious).

D. Record Maintenance:

We shall keep records of all the supporting documents required for the alerts generated such as bank statement, demat transaction statement or any other documents.

The records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of **Five** years from the date of transactions between the client and intermediary.

Review Procedure:

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change because of business needs.

For Saroj Securities

Sanjay Agarwal
(Partner /Compliance officer)