MEMBER:TRADEWELL SECURITIES LIMITED
NATIONAL STOCK EXCHANGE
BOMBAY STOCK EXCHANGE
MULTI COMMODITY EXCHANGE OF INDIA LIMITED

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 their Client(s) and its 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.

Objectives of framing a surveillance policy covering

1. Alerts to be generated.
2. Threshold limits and the rationale for the same.
3. Review process.
4. Time frame for disposition of alerts and if there is any delay in disposition, reason for thesame should be documented.
5. Suspicious/Manipulative activity identification and reporting process.
6. Record Maintenance
7.

B. Surveillance framework

It is mandatory under the exchange/regulatory directives to have in place appropriateSurveillance Policies and Systems to detect, monitor and analyze transactions. For the above wehave to co-relate the transaction data with their Clients' information/data and detectsuspicious/manipulative transactions is an ongoing continuous process with analysis of tradesand transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In-order to implement the exchange directives, they have provided us alerts which have to begenerated by us.

The details of these have been enumerated below:

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 ananalysis on parameters such as;

   A. Whether such volume is justified give the background of the client and his past trading activity.
   B. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
   C. Whether such inflow of funds is in line with the financial status of the client.
   D. 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 resumes trading starts/resumes trading and additionally the client start tradingin illiquid stocks 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;

   A. Reasons for trading in such Scrips/Contracts.
   B. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices.
   C. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulgein movement of profit/loss from one client to another account.
   D. Clients/Group of Client(s), deal in common Scrips/Contracts contributing significant to the volume of the Scrip/Contract at the Trading Member level and at the stockexchange level.
   E. Activity of Client(s)/Group of Client(s) is concentrated in a few illiquid scrips/contractsor there is a sudden activity by Client(s)/Group of Client(s) in illiquidsecurities/contracts manifested in terms of volume as compared to the volume of the exchange or that of the Trading Member.

3. **Client(s)/Group of Client(s) dealing in scrip in quantity of one share or trade in minimum lot size.** We need to review and examine the following

   A. Reasons for such trading behaviour.
   B. Trading pattern and repeated instances.

4. **In accordance to the list of illiquid scrips/contracts provided by exchanges**
   We need toreview and examine the following;

   A. Whether there trading is sudden trading
   B. Whether there is any concerted attempt to impact the prices of such scrips/contracts.
   C. Whether there is any concerted attempt to indulge in movement of profit/loss from oneclient to another.
   D. Probable matching of transactions with another client.
   E. Apparent loss booking transactions in illiquid contract/securities
   F. Whether the transactions of are contributing to concentration or impacting the price.

5. Circular Trading:

   A. Continuous trading of client/group of clients in particular scrip over a period of time
   B. Client/group of clients contributing significant volume (broker and exchange level) in a particular scrip – especially illiquid scrip and /or illiquid contracts
   C. 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.)
   D. Possible reversal of trades with the same group of clients (like same trade number onboth buy and sell side of a member and/or immediate execution of order in illiquid scrip)

6. Pump and Dump:

   A. Activity concentrated in illiquid scrips/contracts.
   B. Sudden activity in illiquid securities/contracts.
   C. Percentage of activity to total market in the scrip/contract is high.
   D. Trades being executed at prices significantly away from the market and later on squaringoff to earn significant profits.

7. Trading by Employees:

A. Trading, by Client employees, ahead of large buy/sell transactions and subsequentsquare off has to be identified and such transactions have to be reviewed fordetermining front running
B. There is a consistent pattern of Client employees trading ahead of large buy/selltransactions.

8. Concentrated position in the Open Interest/high turnover concentration:

A. Client having significant position in the total open interest of particular scrip.
B. Client not reducing/closing their positions in spite of the scrip being in ban period.
C. Client activity accounts for a significant percentage of the total trading in thecontract/securities at member and exchange level.
D. Monitor the trading pattern of Client(s) who have Open Interest positions/concentrationgreater than equal to the thresholds prescribed.

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

A. Consistent placement of large orders significantly away from the market with low tradeto order trade ratio or cancelling orders within seconds after placing them there by creating a false impression of depth in a particular scrip/contract
B. Repeated pattern of placement of large buy orders which are away from the marketprice and simultaneous placement of sell orders to benefit from price rise or vice-versa.