

SURVEILLANCE POLICY

INTRODUCTION:

National Stock Exchange of India Limited (NSE) vide its circular Download Ref. no NSE/INVG/22908 dated 07th March 2013 has directed the trading members to frame the a surveillance policy for effective monitoring of Trading Members and monitoring the alerts based on trading activity on the Exchange. Trading members are directed to have proper mechanisms and to ensure that proper checks and balances are in control and Balaji Equities Limited (the Company) is framing this policy accordingly.

SCOPE:

The company shall implement the following policy:-

A) Transactional Alerts to be provided by the exchange:

In order to facilitate effective surveillance mechanisms, the Company would download the below mentioned alerts based on the trading activities on the exchanges.

| 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 and Dump | Cash |
| 9 | Wash Sales | Cash & Derivatives |
| 10 | Reversal of Trades | Cash & Derivatives |
| 11 | Front Running | Cash |
| 12 | Concentrated position in the Open Interest / High Turnover concentration | Derivatives |
| 13 | Order book spoofing i.e. large orders away from market | Cash |

The Company may formulate its own alerts in addition to above mentioned type of alerts.

2) Clients Information:

The Company will carry out the Due Diligence of its client(s) on a yearly basis. Further, Company shall ensure that key KYC parameters are updated on a yearly basis and latest information of the client is updated in Unique Client Code (UCC) database of the Exchange. Based on this information the Company shall establish groups / association amongst clients to identify multiple accounts.

3) Analysis of Client(s) transaction(s) alert(s):

On receiving the said alerts from the exchange, the trading activity of the Client(s) or scrip's identified based on above alerts, the Company will carry out the following procedure:

- a. We may seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b. We also seek documentary evidence such as bank statement / demat transaction statement or any other documents as below:
 1. 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. 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.
 2. 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.
- c. After analyzing the documentary evidences, including the bank / demat statement, the Company will record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.

4) Time frame for disposition of alerts:

For effective monitoring, the Company;

Within 30 days of alert generation shall dispose off the alert, and any delay in disposition, reason for the same shall be documented.

5) Suspicious/Manipulative activity identification and reporting process:

In case of any Suspicious or any Manipulative activity is identified, the same will be mentioned in the Register to be maintained for the purpose and will be reported to the Stock Exchanges within 45 days of the alert generation.

6) Record Maintenance:

We shall maintain and keep all such records and documentary evidences that have been analyzed/taken by us either in soft copy or in hard copy for the time period as prescribed by the regulatory authority. We shall produce such records as and when asked by exchanges or by regulatory authorities.