

SURVEILLANCE POLICY FOR ALERTS RECEIVED FROM THE EXCHANGE

First Made on 6th September, 2021

Last Reviewed on 01st February, 2023

Objective:

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

Crosseas Capital Services Pvt Ltd is required to follow the same and take due care for its proper implementation. The policy shall also be approved by its Board after review done by the Compliance Office on periodic basis to keep it in line with the market trends. This policy is made to facilitate effective surveillance mechanisms at Crosseas Capital Services Pvt Ltd. Exchanges will provide alerts to us based on the transactions traded on Exchanges. We have to analyse these alerts and seek client information and documentary evidence and submit the same to the Exchange within the prescribed time limit (if required).

A. Following are the transactional alerts to be covered in surveillance:

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 scripts	Cash
4.	Client(s)/Group of Client(s) is concentrated in a few illiquid scripts	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	Derivatives
13.	Order book spoofing i.e. large orders away from market	Cash



14	Trading in Z Group	Cash
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The above transactional alerts list can be modified to add any other type of alerts as and when required.

The following activities are also required to be carried out by the RMS/ compliance department or the back office based on UCC parameters:

Client(s) Information:

To carry out the Due Diligence of its client(s) on a continuous basis. Further, to ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the active client is updated in UCC database of the Exchange. Addition/ Modification of any parameter (correspondence address, contact details, email id, bank details, etc.) relating to client should also be updated immediately in the UCC database of exchange and the same shall be updated in back office also, to establish groups/ association amongst clients to identify multiple accounts/ common account/ group of clients.

Analysis:

To analyse the trading activity of the Client(s) / Group of Client(s) or scripts identified based on above alerts:

- a) Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b) (1) Seek documentary evidence such as bank statement/ demat transaction statement or any other documents to satisfy itself. 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 analysing the documentary evidences, including the bank/ demat statement, the Trading Member shall record its observations for such identified transactions or Client(s)/ Group of Client(s). In case adverse observations are recorded, the Trading Member shall report all such instances to the Exchange within 45 days of the alert generation. The Trading Member may seek extension of the time period from the Exchange, wherever required.

Monitoring and Reporting:

Following is the procedures to be adopted in case of any alert being received either from Exchanges or alert being generated at our end:

- a. To review the alerts based on
 - a) Type of alert downloaded by Exchanges
 - b) Financial details of the client
 - c) Past Trading pattern of the clients/ client group
 - d) Bank / Demat transaction details (The period for such statements may be at least +/- 15 days from the



- date of transactions)
- e) Other connected clients in TM's UCC (common email/ mobile number/ address, other linkages, etc.)
 - f) Other publicly available information.

If any concern is seen post inquiry/ receipt of explanation from client, we have to forward the alerts to the Exchange with client comments and any documents deemed relevant.

- b. Within 45 days of the alert generation. The extension of the time period can be sought from Exchanges in case wherever additional time is required the reason for the same shall be documented.
- c. A Register for recording the alerts has to be maintained which shall record the following : Time frame for disposition of alerts , the findings, in case if any delay is found in disposition then the reason for the delay should also be noted, etc.
- d. A quarterly MIS shall be put to the Board of Directors, updating on the alerts pending at the beginning of the quarter, alerts 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 taken. Also, the Board of Directors shall be apprised of any exception noticed during disposition of alerts.

The surveillance process shall be conducted under overall supervision of the Compliance Officer/ Designated Director and he would also be responsible for all surveillance activities carried out by Crosseas Capital Services Pvt Ltd. and for the record maintenance and reporting of such activities.

Internal auditor of Crosseas Capital Services Pvt Ltd. shall review the surveillance 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.

Graded Market Surveillance scrip (GSM) (Equity segment)

NSE vide its circular NSE/SURV/34262 dated February 23, 2017 and BSE vide its circular 20170223-44 dated February 23 2017 introduced Graded Market Surveillance (GSM) as introduced by equity exchanges, is on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, etc.

In addition to existing Surveillance action being imposed from time to time, securities shall be monitored for price movement by equity exchanges and based on pre-determined objective criteria shall attract following additional graded surveillance measures:

Stage	Surveillance Actions
I	Transfer to trade for trade with price band of 5 % or lower as applicable.
II	Trade for trade with price band of 5 % or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)



V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)
VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)

In view of the above we have incorporated in our in-house software about records of the trading done in such scrips

1. The records so generated are compared visa vis. exchange volumes, repeated days of trading and price volatility in the scrip.
2. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
3. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also be blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spurt and accordingly deemed to be part of this policy.

Additional Surveillance Measure (ASM) (Equity segment)

NSE vide its circular SE/SURV/37262 dated March 22 2018 and BSE vide its circular 20180321-46 dated March 21 2018 had informed that Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have implemented that along with other measures there shall be Additional Surveillance Measures (ASM) on securities with surveillance concerns viz. Price variation, Volatility, etc.

Accordingly, Exchanges would review identification of securities for placing in ASM Framework has been carried out. In addition to this, Exchanges have issued other circulars from time to time reviewing the parameters for the ASM framework and accordingly updating the scrips in the said framework

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3. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also be blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirit and accordingly deemed to be part of this policy.

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