

Surveillance Policy
V.03.20.01

Surveillance and monitoring is very crucial part of today's trading system. Effective surveillance can achieve investor protection, market integrity and safeguard of capital market. The main objective of surveillance is to stop suspicious and manipulated trading activity by individual or group of individuals on the exchange platform.

1. Receipt of Alerts from Exchange/at LKP's end:

Exchanges shall be disseminating surveillance alerts to the Members relating to their clients on daily/monthly basis for further action on Members' part. A sample of type of alerts is given hereinbelow:

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

Similarly, LKP shall be generating various alerts from its internal surveillance software. However, rest of the process in this regard shall be same as provided herein below:

2. Suspicious / Manipulative activity identification and reporting process:

We require carrying out Due Diligence of client(s) on a continuous basis. Further, we shall ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange. Based on this information we shall strive to establish



groups / association amongst clients to identify multiple accounts / common account / group of clients.

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, we shall :

- a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b. Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy it.
 - In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met is required to be taken. 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.
 - 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 belong to the client for whom the trades were executed.

3. Time frame for disposition of alert:

After analyzing the documentary evidences as deem fit we shall record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, we shall report all such instances to the Exchange within 45 days of the alert generation time period from the Exchange, wherever required.

4. Record maintenance:

We shall be preserving such records for future reference purposes alongwith documentation taken from the client.

Further, a quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, 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 shall be taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.

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For LKP Securities Ltd.,