

Surveillance Policy

Vishwas Fincap Pvt. Ltd.

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OBJECTIVE

The objective of this policy is to establish an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. Surveillance aims to identify adverse situations in the markets and to take appropriate preventive actions to avoid disruption. The fairness of the markets is closely linked to investor protection, particularly in preventing improper trading practices. This monitoring is necessary to analyze the trading patterns of clients and to observe whether any transactions (buying/selling) are done intentionally, which may have an abnormal effect on the price and/or volumes of any share, contrary to the fundamental objectives of the Securities Market.

BACKGROUND

National Stock Exchange (NSE), via circular no. NSE/INVG/22908 dated March 7, 2013, and Bombay Stock Exchange (BSE) via circular no. 20130307-21 dated March 7, 2013, informed that the Exchanges would be downloading specific alerts based on the trading activity of the clients to facilitate an effective surveillance mechanism. Stock brokers are directed to frame a surveillance policy covering the maintenance and disposition of alerts received from exchanges or generated at their end.

Sr. No	Transactional Alerts	Segment
1	Significant increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s) dealing in common scrips	Cash
4	Client(s)/Group of Client(s) 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 ("Pump-and-dump" involves the touting of a company's stock (typically small, so-called "micro cap" companies) through false and misleading statements to the marketplace.)	Cash
9	Wash Sales (A wash sale is trading activity in which shares of a security are sold at a loss and a substantially identical security is purchased)	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)	Cash
12	Order book spoofing, i.e., large orders away from market	Cash

Terms used in this Policy:

Alerts: Refers to transactional alerts arising due to a sudden significant increase in client activity, sudden trading activity in inactive/dormant accounts, clients/groups of clients dealing in common scrips, illiquid scrips, minimum lot size/single scrip, large orders away from the market, concentrated position in the open interest/high turnover concentration, circular trading, pump and dump, wash sales, reversal of trades, front running.

POLICY

Transactional alerts

In accordance with NSE circular no. NSE/INVG/22908 dated March 7, 2013, and BSE circular no. 20130307-21 dated March 7, 2013, to maintain records of the transactional alerts received from exchanges or generated at our end, the following steps will be taken to review and dispose of the alerts:

1. Review the type of alert downloaded by exchange or generated at our end.
2. Financial details of the client.
3. Past trading pattern of the clients/client group.
4. Bank/demat transaction details.
5. Other connected clients having common email/mobile number/address or any other linkages, etc.
6. Other publicly available information.

On receipt of the above information, analyze the alerts generated, and in case of any adverse findings/comments, the same shall be communicated to the Exchange within 45 days from the alert generation. If analysis is taking time due to complexity, an extension may be taken from the exchange to review the alert(s).

In order to have an in-depth analysis of the above transactional alerts, the following due diligence shall be undertaken.

CLIENT(S) INFORMATION

Due diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review. Financial information also needs to be updated for all active clients, and the following relevant documents pertaining to financial details must be obtained from clients:

1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for the last 6 months

7. Copy of demat account Holding statement
8. Any other relevant documents substantiating ownership of assets
9. Self-declaration along with relevant supporting

Addition/modification of any parameter (correspondence address, contact details, email id, bank and beneficiary accounts) relating to the client should also be updated immediately in the UCI database of the exchange and the same shall be updated in back office as well.

Based on the above information/documents, identification of groups/association amongst clients to identify multiple accounts/common account/group of clients would be established.

Groups will be formed on the basis of details of family/group/associate provided by clients during their registration or at the time of periodic review and on the basis of any authorization submitted by the client for adjustment of their balances.

ANALYSIS

In order to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified based on the alerts received from the Exchange, the following information shall be sought from clients:

- a. Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions. A letter/email shall be sent to the client asking them to confirm that they have adhered to trading regulations. Details may be sought pertaining to funds, securities, and other trading patterns.
- b. Seek documentary evidence such as Bank Statement/Demat Transaction Statement or any other documents to support the statement provided by the client.
 - In case of funds, Bank statements of the Client(s)/Group of Client(s) from where funds pay-in have been met, will be sought. Sources of funds in the bank statements will be verified. In case of securities, Demat account statements of the Client(s)/Group of Client(s) from where securities pay-in has been met will 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 transacted.
- c. After analyzing the documentary evidences, including the Bank/Demat statement, the observations shall be recorded for such identified transactions or Client(s)/Group of Client(s). In case of adverse observations, the same will be reported to the Exchange within 45 days of the alert generation. An extension of the time period from the Exchange will be sought if required.

In case the client does not cooperate or does not revert within a reasonable period, the Exchange will be informed based on the information available with the member.

MONITORING AND REPORTING

The surveillance process shall be conducted under the overall supervision of the Compliance Officer, and based on the facts and circumstances, he/she is required to take adequate precautions.

The Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities. A quarterly review shall be done by the Designated Director on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed of during the quarter, and pending at the end of the quarter. Reasons for pendency shall be discussed, and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board of Directors.

The internal auditor shall review this policy, its implementation, effectiveness, and review the alerts generated during the period of audit. The internal auditor shall record the observations with respect to the same in their report.

STR Process Flow

Alerts are generated internally on a vendor-based system (Trackwizz) based on pre-defined thresholds/parameters. The alerts are then analyzed, and action is taken accordingly.

If a suspicious transaction/trade (alert) is observed, an STR draft is prepared, which includes the client KYC, details of the investigation, and grounds of suspicion.

The draft is then sent to the Compliance Officer for approval within 7 days of the suspicious transaction/trade (alert) being identified.

The STR is then filed on the FIU portal after it is digitally signed by the principal officer.

APPROVAL AUTHORITY

This policy has been approved by the Board of Directors.

REVIEW POLICY

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

POLICY COMMUNICATION

A copy of the approved policy shall be made available to the Compliance Officer.

Last Review Date: July 26, 2024