Woodstock Broking Pvt. Ltd.

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Tel. No. 022 69699000

SEBI Regn. No. INZ 000242835

POLICY FOR SURVEILLANCE OF ALERTS RECEIVED FROM THE EXCHANGE

The below mentioned policy for Surveillance has been approved by the Board of Directors in their meeting held on 01th August, 2021. All the employees are required to follow the same and take due care for its proper implementation.

This policy is made to facilitate effective surveillance mechanisms in our organization. The Exchange will provide alerts to us based on the transactions traded on the Exchange. We have to analyze these alerts and seek client information and documentary evidence and submit the same to the exchange within the prescribed time limit.

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

The above transactional alerts can be modified to add any other type of alerts as and when required.

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, 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 is blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirt 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

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

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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 is blocked from further trading.

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

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

<u>Client(s) Information:</u>

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 client is updated in UCC database of the Exchange. Based on this information, to establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

<u>Analysis:</u>

<u>To analyze the trading activity of the Client(s) / Group of Client(s) or scripts identified based on above alerts,:</u>

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 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. The period for such statements may be at least +/- 2. 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 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.

<u>Following is the procedure to be adopted in case of any alert being received either from the exchange/depositories or generated at our end:</u>

a. To review the alerts based on
   a) Type of alert downloaded by the Exchange
   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.

In addition to the same, **Woodstock Broking Pvt. Ltd** pursuant to this Surveillance Policy for Stock Broking operations generate alerts as per guidance provided in CDSL communiqué no. CDSL/OPS/DP/SYSTM/2021/309 dated 15.07.2021 based on the following criteria:

- Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details/ address. While reviewing BO account details, the details of existing BO shall also be considered.
- Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
- A BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, and bank details, POA holder, Authorised signatory etc. Twice in a month.
- Frequent off-market transfers of securities more than twice in a month without any genuine reasons.
- Off-market transactions not commensurate with the income/net worth of the BO.
- Pledge transactions not commensurate with the income/net worth of the BO.
- High value off-market transfer immediately after modification of either email.

- ID/mobile number/address without genuine reason.
- Review of reasons for off-market transfer provided by the BO (Beneficial Owner) which appears non Genuine based on either the profile of the BO or on account of reasons of codes, including frequent off-market transfers with there as on code gift/donation to unrelated parties and/or with reason code off-market sales.
- Sudden increase in transaction activity in a newly opened account in a short span of time. An account in which securities balance suddenly reduces to zero and an active account with regular transaction suddenly becomes dormant.

Woodstock Broking Pvt. Ltd (CDSL DP) Departmental head to review the alerts provided by CDSL on fortnightly basis and to process the same as early as possible. In any case, such alerts should be processed within 30 days from the date of generation of the alert by CDSL.

In case of any delay in disposing of any alerts, reasons for the same have to be recorded. **Woodstock Broking Pvt. Ltd** (CDSL DP) should identify suspicious/ manipulative activities undertaken by any client through monitoring of transaction(s) and reporting the same as STR to FIU-INDIA, and should also evaluate whether any further action including disassociating with the suspect client(s) and report to CDSL/ SEBI and/or other Regulatory Authorities

The transactional alerts will be downloaded from the regulatory websites (BSE E-BOSS, NSE transactional alerts and Member Surveillance Dash Board, CDSL) on a periodic basis. The analysis of the same would be done within reasonable time (but in any event not exceeding 45 days of the alert generation), having regard to the client's updated details. Confirmation would be sought from clients, on a periodic basis, as to the respective client's data in our records. The status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken will be updated within 45 days, in the System of respective Exchange. On receipt of an alert from the Exchange.

(a) Explanation, in writing, shall be sought from the concerned client/group of clients for entering into the said transaction. The past track record of the client would be considered.
(b) Required latest documentary evidence such as demat statement/ledger statement/bank statement would be compiled (not exceeding +/- 15 days from the date of transaction) would be sought and verified.
(c) The observations on analysis of the alerts will be recorded.
(d) In case adverse observations are recorded, the same would be reported to the concerned Exchange along with details of action taken within 45 days of the alert generation.
(e) In case there are no adverse observations, the alert would be closed after recording the reason for arriving at such conclusion.

(f) Record maintenance for the period as stipulated under applicable statutes.

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

b. Within 45 days of the alert generation. The extension of the time period can be sought from the Exchange, wherever required.
c. A Register for recording the alerts has to be maintained which shall record the following Time frame for disposition of alerts , the findings , and if there is any delay in disposition, reason for the same etc.

A quarterly MIS shall be put up to the Board of Directors 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 taken. Also, the Board of Directors shall be apprised of any exception noticed during the disposition of alerts.

The surveillance process shall be conducted under overall supervision of the Compliance Officer/ Designated Director.

Internal auditor 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.

Obligation of Quarterly reporting of status of the alerts

Trading members are also required to provide duly approved status of the alerts on a quarterly basis, in the following format to the Exchange within 15 days from end of the quarter.

A. Status of Alerts generated by the Trading member:

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts verified & closed in the quarter	No. of alerts referred to Exchange (*)	No. of alerts pending / under process at the end of quarter

B. (*) Details of alerts referred to the Exchange:

Sr. No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:

Sr. No.	Brief action taken during the quarter

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