LIBORD BROKERAGE PRIVATE LIMITED

(CIN No.: U67120MH2007PTC174576)

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SURVEILLANCE POLICY OF

LIBORD BROKERAGE PRIVATE LIMITED

1. Preamble

In pursuance to the various circulars issued by the Exchanges, the Surveillance policy of the Libord Brokerage Private Limited (herein after known as "LBPL") broadly covers the surveillance obligations of trading members to facilitate effective surveillance at the Members end including, interalia, generation of processing of transactional alerts provided by the Exchanges (Refer Annexure A) and our own surveillance policy as trading Member of the BSE, NSE and MCX (Refer Clause 5 below). The Surveillance policy of LBPL is updated in response to the changing Surveillance Obligations for Trading Members as mandated by the said Exchanges.

2. Objectives:

The objectives of the Surveillance Policy include, interalia, the following:

➤ To generate transaction alerts
➤ To set the limits and the rationale for the same.
➤ To review/update processes.
➤ To determine the time frame for disposition of alerts and if there is any delay in disposition, to document the reason for the same.
➤ To identify and report Suspicious/Manipulative activity.
➤ To maintain Records in accordance with the Policy/Exchange requirements.

3. Scope of Policy

LBPL offers its services in the Cash, FNO, Currency and Commodities segments to different types of clients including retail, institutional, through various modes like Call and Trade, Mobile based trading, Internet based trading, in addition to proprietary trading. The surveillance policy of LBPL covers all segments we offer. The said surveillance policy shall, inter alia, cover the following:

3.1 Generation of suitable surveillance alerts which may be guided by indicative themes (the list is inclusive and not exhaustive) given in Para 4 below as well as for transactional alerts downloaded by the Exchanges based on some thresholds or parameters. We, as Trading members have closer supervision and are in possession of considerably more information about our clients, and so we also consider suitable parameters.

3.2 Processing of alerts within 45 days from the date of alerts downloaded by the Exchanges as well as alerts generated at member's end.

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3.3   Documentation of reasons for any delay in disposition of any of the alerts.

3.4   Suspicious / Manipulative activity identification.

3.5   In addition to the obligations under Prevention of Money Laundering Act (PMLA), actions may include suspension of the trading activity of the suspect client, or any other action as may be deemed appropriate.

3.6   Record Maintenance for the period as stipulated under applicable statutes.

4. <u>Obligation of LBPL to generate additional Surveillance alerts:</u>

In addition to the transactional alerts downloaded by Exchanges, we as trading members are also required to generate appropriate surveillance alerts at our end, to enable us to effectively monitor the trading activity of our clients at our end as per the laid down surveillance policy. The indicative themes on which we formulate our own alerts including analysing the patterns and trends with respect to such themes are as under:

4.1   The indicative themes additionally applicable to LBPL as Trading Member

I.   Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.

II.   Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.

III.   Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip / contract.

IV.   Disproportionate trading activity vs reported income / Net worth

V.   Frequent changes in KYC submitted by clients.

VI.   Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.

VII.   Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. For more details, kindly refer Exchange circular no. NSE/INVG/45517 dated August 30, 2020.

VIII.   Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in Exchange circular no. NSE/INVG/2019/40175 dated February 07, 2019.

IX.   Significant trading activity in scrips by client who has pledged the shares of same scrip.

X.   In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address.

4.2 **The indicative themes additionally applicable to LBPL as Depository Participants.**
Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.

4.3 **The indicative themes additionally applicable to LBPL due to facility of internet-based trading.**
Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

5. Surveillance framework

5.1 Exchange Alerts:

It is mandatory under the exchange/regulatory directives to have in place appropriate Surveillance Policies and Systems to detect, monitor and analyse transactions. For the above we have to co-relate the transaction data with their clients' information/data and detect suspicious/manipulative transactions as an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In-order to implement the exchange directives, they have provided us alerts (Refer Annexure A) which have to be generated by us. In addition to this we have also developed in-house surveillance software. The details of both these have been enumerated below:

1. Significant increase in Clients activity

Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity over a period of time say fortnight/month/quarter and this increases by certain threshold limit of more than 50% as compared to the earlier period of same duration, we have review and conduct a analysis on parameters such as:

I.   Whether such volume is justified give the background of the client and his past trading activity.
II. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
III. Whether such inflow of funds is in line with the financial status of the client
IV. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.

2. Sudden trading activity in dormant accounts

An inactive client resumes trading starts/resumes trading and additionally the client starts trading in illiquid stocks or low market capitalized scrips or enters into huge transactions not to commensurate with the financial strength of the client, we have to review and examine the following;

I.   Reasons for trading in such scrips/contracts.
II. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices.
III. Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another account.

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3. Clients/Group of Client(s), deal in common scrips

Clients/Group of Client(s), deal in common scrips/contracts contributing significantly to the volume of the scrip/contract at the Trading Member level and at the stock exchange level. We need to review and examine the following;

I. Reasons for trading in such scrips/contracts.
II. Whether there is any concerted attempt by to impact the prices.
III. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.

4. Activity of Client(s)/Group of Client(s) is concentrated in a few illiquid scrips

Activity of Client(s)/Group of Client(s) is concentrated in a few illiquid scrips contracts or there is a sudden activity by Client(s)/Group of Client(s) in illiquid securities/contracts manifested in terms of volume as compared to the volume of the exchange or that of the Trading Member. We need to review and examine the following;

I. Reasons for trading in such scrips/contracts.
II. Whether there is any concerted attempt to impact the prices.
III. Whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.

5. Client(s)/Group of Client(s) dealing in scrip in quantity of one share or trade in minimum lot size.

We need to review and examine the following:

I. Reasons for such trading behaviour.
II. Trading pattern and repeated instances.

6.Client/Group of Client(s) Concentration in a Scrip

In accordance to the list of illiquid scrips/contracts provided by exchanges, we need to review and examine the following;

I. Whether there trading is sudden trading
II. Whether there is any concerted attempt to impact the prices of such scrips/contracts.

7. Circular Trading:

I. Continuous trading of client/group of clients in particular scrip over a period of time.

II. Client/group of clients contributing significant volume (broker and exchange level) in a particular scrip – especially illiquid scrip and /or illiquid contracts

III. Possible matching of trades with a specific group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip etc.)

IV. Possible reversal of trades with the same group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip)

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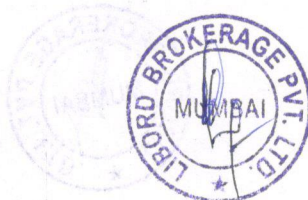
8. Pump and Dump:

I. Activity concentrated in illiquid scrips/contracts.
II. Sudden activity in illiquid securities/contracts.
III. Percentage of activity to total market in the scrip/contract is high.
IV. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.

9. Wash Sales/Reversal of Trades:

I. Same Client) on both sides of the transaction. (i.e. same trade number on both the buy and sell side with us)
II. Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days.
III. One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options

10. Front Running:

I. Trading, by Client employees, ahead of large buy/sell transactions and subsequent square off has to be identified and such transactions have to be reviewed for determining front running
II. There is a consistent pattern of Client employees trading ahead of large buy/sell transactions.

### 11. Concentrated position in the Open Interest/high turnover concentration:

I. Client having significant position in the total open interest of a particular scrip.
II. Client not reducing/closing their positions in spite of the scrip being in ban period.
III. Client activity accounts for a significant percentage of the total trading in the contract/securities at member and exchange level.
IV. Monitor the trading pattern of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.

### 12. Order book spoofing i.e. large orders away from market:

I. Consistent placement of large orders significantly away from the market with low trade to order trade ratio or cancelling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract
II. Repeated pattern of placement of large buy orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.

5.2 OFFLINE IN-HOUSE ALERTS

1) Report on Delivery above Rs.500000 & TO above Rs.2500000 – all segments of equities and commodities Placement of large orders with the delivery turnover contributing in value terms above Rs. 5,00,000 and trading turnover in terms of value above Rs.2,50,000/- for all segments are generated.
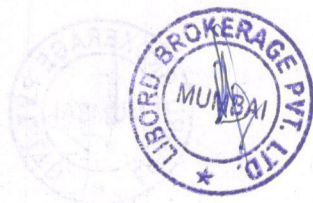
I. In case if the name of any new client appears in this report and / or the name of the client comes again in the report after a period of 15 days to one month, then compliance team informs about the said trade details to the RMS team,

II. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.

2) CASH Excess Volume (more than 5% of market volume) (equity segment) Trades in equity segment contributing to more than 5% of the exchange volume are generated.

I. The records so generated are analysed vis-a vis exchange volume, repeated days of the trading and price volatility, company financials etc.

II. In case of any repeated days of trading, contributing to significant exchange volumes and or price volatility or concentrated trading among selective group of clients is observed, then in such instances after analysis appropriate steps are taken.

3) Illiquid scrip (equity segment) Trades in equity segment for the illiquid scrips (which have been identified as illiquid by exchange) are generated.

I. The records so generated are compared visa vis. exchange volumes, repeated days of trading, price volatility in the scrip.

II. Additionally, the financials of the company are also analysed to ascertain whether the trading volumes and price movements are justified.

III. 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.

4) F&O Profit/Loss & Futures Rate Fluctuation (equity derivatives) Trades in equity derivatives for the above referred parameter which are generated in case of clients executing trades at price above 20% of the previous closing price and or incurring huge profits or losses are generated.

I. For the records generated under this alert are evaluated in case of any un-usual pattern clarification from the client/or branch is sought.

5) F&O Excess Volume (more than 5% of market volume) (equity and commodity derivatives) Trades in derivatives and commodity derivative are generated in trades are more than 5% of market volumes

I. For the records generated under this alert are evaluated visa-vis the strike price, maturity date of the contract, type of derivative contract, underlying etc are analysed and evaluated.

II. In case if the name of any new client appears in this report and / or the name of the client comes again in the report after a period of 15 days to one month, then compliance team informs about the said trade details to the RMS team.

III. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.

6) Matching of Trades – all segments (equities and commodities) The trades which get matched (applicable for all segments) at member level and or client level are generated under this alert.
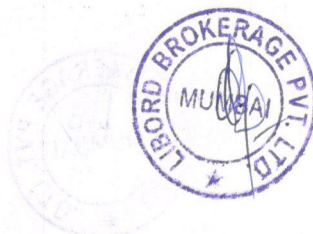
I. The records so generated, comparison is done to ascertain whether they have been carried out from the same trading terminal or same location or for group of same family codes.

II. In case of illiquid scrip/contracts or significant volumes or price volatility observed, explanation is sought and or warning is issued to the client.

5.3 ONLINE IN-HOUSE ALERTS

The following are the various alerts, wherein the records coming under these alerts are analysed with the financials of the company, repetitive nature of the instances, volumes and or price volatility. These alerts are observed by the RMS on real time basis and in case of any suspicious nature, appropriate reasons are sought from the branch/franchisee/clients. We have summarized the online alerts which are being monitored as on date:

I. Module of Online Trade Matching Popup: In this module all the trades that get matched can be viewed and thereafter further verification and/or analysis is done.

II. Module of Online Delivery Tracker: This report provide the trades of the clients who take delivery above Rs.5 lacs in value terms or all delivery above 10,000 in quantity terms (this limit is modified on time to time basis.

III. Module on Online Ban Scrip Position Tracker: This report provides the records in case any client takes position in "Ban" security, then we can come to know via this pop up that position is open and may attract penalty in case position is carried further.

IV. Module on Unregistered/Inactive Client Trade: This report shows that in case any client is inactive as per our Backoffice software or not registered, in spite of which trade is done the details can be ascertained via trading terminal and can be restricted from further trading and to complete the reactivation/registration process as the case may be.

V. Module on Spurt in volume: This report provides the records of the trades in which there is any sudden increase in volume in comparison with 2 weeks' average exchange volume.

VI. Matching of Trades (in commodities): The trades which get matched at member level and or client level are generated under this alert. The records so generated, comparison is done to ascertain whether they have been carried out from the same trading terminal or same location or for group of same family codes.

VII. Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

5.4 ADDITIONAL MONITORING

I. Not allowing trades of entities which are banned by SEBI/Exchange/other regulators. This database is verified by the KYC team before client account is activated.

II. Trading is allowed to commence only after execution of the client registration form and all the mandatory Unique Client Code (UCC) parameters such as Name, Address, PAN No. etc., have been uploaded by us to the Exchange portal.

III. Likewise, demat account numbers are provided to the demat account holders only after obtaining the Client registration forms and activating the same into the DP system.

IV. Clients who have debit balance in their ledgers continuously for a certain period of time or who default in making payment/delivery. This is monitored by our RMS team who dedicated does follow up with the clients/branches/AP's and also restricts from further trading.

V. Bulk deals have been disclosed/reported; illiquid scrips/contract or derivatives scrips which are in ban period. Trading activity in such scrips may be analysed for Client.

VI. Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.

VII. We need to correlate the transactional alerts with the information of client(s) available with them. The correlation of alerts with information of Client(s)/Group of Client(s) would help Trading Members to identify, mitigate and manage such transactions as well as minimizing business risk.

6. Processing of Alerts

In order to analyse the trading activity of the Client scrips identified based on above alerts, we can do the following:

I. Shortlist Client for further analysis.

II. Seek explanation from such identified Client

III. Seek documentary evidence such as bank statement/demat transaction statements of last 6 months to 12 months' period, to satisfy itself.

IV. On the basis of information received from the client and after proper evaluation and analysis, we decide our steps for suspending code and or the scrip from further trading.

7. Reporting

All action/analysis with respect the alerts generated should be completed within a reasonable time frame.

The surveillance policy of the Trading Member to be approved by the Board of Directors.

A daily reporting of the alerts to the designated director and principal officer / a quarterly MIS to the Board of Directors if there are alerts as to the number of alerts received, disposed off during the quarter and pending at the end of the quarter and the. Reasons for pendency should be discussed and appropriate action taken for disposing of the alerts.

The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer. Principal Officer under the PMLA directives/ Compliance Officer of the Company and their team would be to be responsible for all surveillance activities carried out for the record maintenance and reporting of such activities under the supervision of the 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. This policy would be made available to the internal auditors and regulators during the course of audits or as and when demanded. Certain few things we can implement provided the concerned departments monitor and keep track.

I. Frequent instances of payment by Client(s)/Group of Client(s) in the form of cash equivalents like Demand Draft, Pay order etc. to be monitored for

II. When home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client or documents sent at its email/home/business address returned undelivered.

III. Having multiple accounts with the Trading Member and using different trading accounts alternatively.

IV. Client frequently changing bank/ demat account.
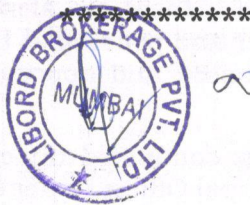
8. Actions

Based on facts and circumstances, Libord Brokerage Pvt. Ltd. may take any of the below mentioned actions: -

- Restrict client from further trading in scrip/contract
- Block Scrip/Contract limit at global level
- Stop Additional limit
- Block DP rights
- Allow only Square off
- Impose penalty
- Reduce limit from normal to 1time On the receipt of request scrip / contract limit can be granted up to 20% of 15days average volume or T days' volume whichever is higher. The above alerts and parameters are illustrative and not exhaustive. Based on facts and circumstances, Libord Brokerage Pvt. Ltd. may exercise their independent judgment and shall add/edit/modify Surveillance alerts and parameters which are more stringent than those enumerated above.

The surveillance policy of LBPL has been approved by its Board of Directors. This policy may have to be reviewed on a periodic basis to keep it in line with the market trends.

Enclosure:

1. Annexure A - Exchange Alerts for Trading Members
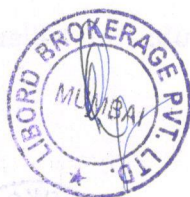2. Annexure B – Circular References

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ANNEXURE A

Exchange Alerts for Trading Members

List of Transaction Alerts Downloaded by the Exchange to facilitate effective surveillance by Trading Members are given as under:

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) dealing in scrip in minimum lot size	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	Reversal of Trades	Cash
10	Front Running	Cash
11	Concentrated position in the Open Interest / High Turnover Concentration	Derivatives
12	Order book spoofing i.e. large orders away from market	Cash

Annexure B

Circular References

1. BSE: Circular

- 20130220-23 (Sub: - Beta Version of e-BOSS (Member Surveillance System) - For downloading of Transactional Alerts to the trading members of the   Exchange.) dated February 20, 2013.
- 20130307-21 (Sub: - Surveillance Obligations for Trading Members) dated March 07, 2013.
- 20171117-18 (Sub: - Caution towards unsolicited messages) dated Nov 17 2017.
- 20180515-39 (Sub: - Withholding of sale proceeds of securities in which unsolicited messages being circulated) dated May 15 2018.
- 20180706-45 (Sub: - Withholding of sale proceeds of securities in which unsolicited messages being circulated - Update) dated Jul 06 2018.
- 20180710-22 (Sub: - Withholding of sale proceeds of securities in which unsolicited messages being circulated - Update) dated Jul 10 2018.
- 20201026-40 (Sub:- Surveillance Obligation for trading members) dated Oct 26, 2020
- 20210701-30 (Sub:- Surveillance Obligation for trading members - update) dated Jul 01, 2021.

2. NSE: Circular

- NSE/INVG/22908 (Sub: - Surveillance Obligations for Trading Members) dated March 07, 2013.
- NSE/INVG/36333 (Sub: - Caution towards unsolicited messages) dated Nov 17 2017.
- NSE/INVG/37765 (Sub: - Withholding of sale proceeds of securities in which unsolicited messages being circulated) dated May 15 2018.
- NSE/INVG/38270 (Sub: - Withholding of sale proceeds of securities in which unsolicited messages being circulated - Update) dated Jul 07 2018.
- Circular No. NSE/SURV/44477 dated May 27, 2020 regarding Member Surveillance Dashboard.
- NSE/SURV/46161 (Sub:- Surveillance Obligation for trading members) dated Oct 27, 2020
- NSE/SURV/48818 (Sub:- Surveillance Obligation for trading members - update) dated Jul 01, 2021.