

## **SURVEILLANCE POLICY.**

### **Major Functions of RMS.**

- Allocating exposure to the clients' trading account and enabling the clients' to do trades.
- Monitoring of orders & trades by clients. Checking of order rejections and increasing exposure, if required based on the net worth of the client or based on the income statement declared by the client.
- Monitoring the MTM profit/loss incurred out of trades, comparing the Actual Margin requirements of clients and the Total Margin available for clients on a one to one basis and initiating remedial actions, if required.
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

In short, the Risk management in relation to all the trading activities for Clients is handled by Surveillance Dept.

### **HIERARCHY :**

In VFSPL, Surveillance department employs Two executives & a senior executives, who are reporting to Manager-Surveillance. Manager Surveillance is reporting to Head of Operations. Decisions relating to routine activities are made by Manager-Surveillance. Activities which contain high risk and complications are to be put forward to the notice of Head of Operations and proper guidance should be taken before executing any action on such activities.

Branches are sub divided and allotted to these executives and senior executives and all the queries related to the trading activities and exposure requests from Branches are handled by these executives.

maintained with clients and respective Branch in Charges. Apart from this, all the clients are evaluated based on the initial margin and subsequent margins paid by them. The trading patterns of clients are also taken into consideration for classification of risk profile.

### **TRADING :**

VFSPL is a registered stock broker of The National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange (BSE) .All these exchanges following online trading system and having a settlement system of T+2 in Capital Market segment and Daily mark to market settlement VFSPL is using NOW software (by NSE.) for trading in Capital Market.. The software are widely accepted amongst the industry as whole and are used by several other broking companies across the country.

Every exchange fix a minimum initial deposit to be maintained by every trading members as initial margin (Base Minimum Capital) and trading members, at their discretion, can have more deposits (Additional Base Capital) to be used as Margin for the purpose of enabling the trading activities. The exposure levels set by these exchanges are on a member level and not on client level.

The Exchange provides user id for Exchange Trading terminals. Exposures on the CTCL terminal are set by VFSPL surveillance Dept and are done for each and every client based on the margin available with them. Trading is done from branches and the orders are placed by VFSPL relationship managers.

### **ALERTS:**

**Vramath Financial Services Pvt. Ltd. Strictly follows the exchange alerts as Follows::**

- 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

The above transactional alerts are an indicative list given by exchange. In addition Vramath Financial Services Pvt. Ltd. also formulate our own alerts in addition to the above mentioned type of alerts as per their surveillance policy.

### **Client(s) Information:**

Vramath Financial Services Pvt. Ltd. carry out the Due Diligence of its client(s) on a continuous basis. Further, We 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 the Trading Member shall establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

**Analysis:**

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

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. 1. 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, Vramath Financial Services Pvt. Ltd. records our 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. We may seek extension of the time period from the Exchange, wherever required.

**Monitoring and reporting:**

A quarterly MIS shall be put up to the Board. The surveillance process shall be conducted under overall supervision of its Compliance Officer. Designated directors / Compliance Officer would be responsible for all surveillance activities carried out by Vramath Financial Services Pvt. Ltd. and for the record maintenance and reporting of such activities.

2. Internal auditor of Vramath Financial 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.

Based on facts and circumstances, Vramath Financial Services Pvt. Ltd. exercises independent judgment and take adequate precaution.