SURVEILLANCE POLICY – TRADING

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In order to achieve this and to create safer markets, Vridhi Capital & Finance Private Limited, would have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

1. Background

Vridhi Capital & Finance Private Limited ("the Company"), being a SEBI-registered Stock Broker and Trading Member, shall maintain an effective and independent surveillance framework for monitoring client and market-related trading activities.

The purpose of surveillance is to identify unusual, abnormal, suspicious, manipulative or potentially fraudulent transactions and trading patterns and to take appropriate action in accordance with applicable laws, regulations, circulars, directions and requirements prescribed by SEBI and the recognised Stock Exchanges.

The Company shall maintain appropriate systems, procedures, controls and records to ensure effective monitoring of trading activities and protection of market integrity and investor interests.

2. Regulatory Framework

This Policy shall be read with and implemented in accordance with the applicable provisions of:

- SEBI regulations, circulars, master circulars and directions applicable to Stock Brokers and market surveillance;
- the **SEBI Master Circular on Surveillance of Securities Market dated 15 May 2026**, as amended from time to time;
- applicable NSE and BSE rules, regulations, bye-laws, circulars, notices and surveillance requirements;
- applicable requirements relating to GSM, ASM, ESM, Trade-for-Trade, price bands and other surveillance measures;
- applicable requirements relating to prevention of fraudulent and manipulative trading practices, insider trading and market abuse; and
- any other applicable regulatory or statutory requirements.

In the event of any inconsistency between this Policy and any applicable regulatory or Exchange requirement, the latter shall prevail.

3. Objective

The objective of this Policy is to establish a structured mechanism for:

1. identifying unusual or suspicious trading activities;
2. monitoring client and group-level trading patterns;

3. analysing internally generated surveillance alerts;
4. investigating and documenting identified alerts;
5. escalating material or adverse observations;
6. reporting matters to the Stock Exchanges or regulatory authorities wherever required; and
7. maintaining adequate records of surveillance activities.

The surveillance framework shall be risk-based and shall be reviewed periodically to reflect changes in regulatory requirements, market practices and emerging risks.

4. Scope

This Policy shall apply to all client trading activities undertaken through the Company and shall cover all applicable trading segments in which the Company is registered.

The Policy shall apply to the Compliance Officer, Risk Management Team, Surveillance Team, Operations/Back Office personnel and other employees involved in order processing, trading, monitoring, compliance or related activities.

5. Governance and Responsibilities

The **Compliance Officer** shall have overall responsibility for implementation and supervision of the surveillance framework.

The Risk Management and Surveillance Teams shall assist the Compliance Officer in generating, reviewing and analysing surveillance alerts and shall promptly escalate unusual or suspicious activities.

The Compliance Officer shall ensure appropriate investigation, documentation, closure and reporting of alerts, wherever required.

The **Designated Director/Board of Directors** shall provide overall oversight and shall periodically review the effectiveness of the surveillance framework and material surveillance matters.

The **Internal Auditor** shall periodically review the implementation and effectiveness of the Surveillance Policy, adequacy of records, alert review process and compliance with applicable reporting requirements.

6. Surveillance System and Alert Generation

The Company shall maintain an appropriate internal surveillance mechanism capable of analysing client trading patterns and identifying abnormal behaviour with reference to price, volume, concentration, trading frequency and other relevant parameters.

Surveillance alerts may be generated through the Company's Back Office/Surveillance System, transaction data, risk management systems, Exchange communications and other relevant sources.

The internal surveillance mechanism shall be capable, to the extent applicable, of identifying:

- significant client or group concentration in a security or contract;

- sudden increase in trading activity;
- activity in dormant or previously inactive accounts;
- trading disproportionate to declared income or net worth;
- concentration in illiquid or low-priced securities;
- synchronized, cross, circular, wash or reversal trades;
- possible pump-and-dump activity;
- possible front-running;
- significant open-interest or turnover concentration;
- unusual order placement or cancellation patterns, including possible spoofing;
- abnormal price or volume movements;
- unusual fund or securities movement;
- frequent off-market transfers;
- suspicious activity around corporate announcements; and
- multiple clients or accounts displaying common trading characteristics, including common IP/location indicators where such information is available.

The above parameters shall be treated as indicative and may be supplemented or modified based on regulatory requirements and the Company's risk assessment.

7. Review of Surveillance Alerts

Every internally generated surveillance alert shall be recorded and subjected to appropriate review.

The review shall consider, as applicable, the client's KYC profile, financial position, declared income and net worth, past trading behaviour, order and trade history, transaction concentration, relationship with other clients, fund and securities movements and prevailing market conditions.

Where considered necessary, the Company may seek clarification and supporting documents from the concerned client.

The investigation shall be documented and the alert shall be assigned an appropriate status, such as:

- **Verified & Closed**;
- **Verified & Reported**;
- **No Adverse Observation/False Positive**; or
- **Pending Investigation**.

Material or adverse observations shall be escalated to the Compliance Officer and, where required, to the Designated Director and the concerned Exchange/regulatory authority.

8. Key Surveillance Areas

The Company shall undertake risk-based monitoring of the following activities:

8.1 Concentrated and High-Value Trading

The Company shall monitor clients or groups of clients contributing a significant percentage of trading volume in a security or contract, particularly where such activity is concentrated in a single or limited number of securities.

High-value transactions and transactions inconsistent with the client's historical activity or financial profile shall be reviewed.

8.2 Dormant Accounts and Sudden Activity

Accounts that have remained inactive for a significant period and subsequently resume trading shall be monitored, particularly where the activity is inconsistent with the client's historical trading pattern or financial profile.

8.3 Illiquid and Low-Priced Securities

Trading in illiquid, low-priced or securities under enhanced surveillance shall be subject to heightened monitoring. The Company shall implement applicable Exchange restrictions and surveillance measures.

8.4 Synchronized, Circular, Wash and Reversal Trades

Transactions involving possible pre-arranged matching, circular trading, same-client/group activity on both sides, or rapid reversal at materially different prices shall be examined for possible manipulation or artificial creation of volume or price.

8.5 Front-Running and Insider-Related Activity

The Company shall monitor client and employee trading that appears to precede significant orders or transactions and shall investigate patterns that may indicate front-running, misuse of confidential information or other prohibited conduct.

8.6 Spoofing and Abnormal Order Behaviour

The Company shall monitor repeated placement and cancellation of large orders, orders significantly away from the prevailing market price and other patterns that may create a false or misleading impression of market demand or supply.

8.7 Price and Volume Impact

Where a client's trading activity appears to materially influence the price or volume of a security or contract, the Company shall examine the trading pattern, concentration, timing and surrounding market conditions.

8.8 Financial Profile and KYC

The Company shall monitor whether trading activity is reasonably consistent with the client's KYC information, declared income, net worth, risk profile and financial capacity.

9. Surveillance Measures Prescribed by Exchanges

The Company shall monitor and implement applicable surveillance measures prescribed by NSE, BSE and other relevant Exchanges from time to time.

These may include, as applicable:

- Graded Surveillance Measures (GSM);
- Additional Surveillance Measures (ASM);
- Enhanced Surveillance Measures (ESM);
- Trade-for-Trade restrictions;
- applicable price bands;
- additional surveillance margins/deposits;
- periodic call auction requirements;
- restrictions relating to illiquid securities;
- Persistent Noise Creator measures;
- rumour verification/clarification requirements; and
- other surveillance or risk-containment measures prescribed by the Exchanges.

The Company shall rely on the **latest applicable Exchange circulars/notices** rather than maintaining fixed surveillance-stage measures in this Policy. This is particularly important because surveillance actions and parameters may be revised by the Exchanges from time to time. NSE's current surveillance framework includes GSM, ASM, ESM and other market-surveillance measures.

10. GSM, ASM and ESM

The Company shall implement the latest GSM, ASM and ESM measures applicable to securities traded through the Company.

The Risk Management Team shall ensure that securities placed under such measures are appropriately identified in the trading system and that applicable price bands, margins, trading frequency restrictions, Trade-for-Trade requirements or other restrictions are implemented.

The Company shall regularly monitor Exchange circulars and update its internal systems and procedures whenever the applicable surveillance measures are revised.

The current NSE GSM framework specifies four stages and corresponding surveillance actions; therefore, this Policy does not reproduce stage-wise measures that may subsequently become outdated.

11. Internal Surveillance Alerts and Exchange Reporting

The Company shall analyse alerts generated through its **internal surveillance mechanism** and maintain appropriate records of the review and action taken.

As per the current NSE Member Surveillance Dashboard requirements, internally generated alerts are to be reported to the Exchange on a quarterly basis through the prescribed mechanism within **15 calendar days from the end of the relevant quarter**, in the applicable format prescribed by the Exchange. NSE also clarifies that this quarterly submission relates to alerts generated by the Trading Member's internal monitoring mechanism and not alerts separately generated and communicated by the Exchange.

The Company shall comply with the corresponding reporting requirements of BSE and other Exchanges on which it is registered.

Where the Exchange or regulator prescribes a different timeline, format or reporting mechanism, the latest applicable requirement shall prevail.

12. Alert Investigation and Closure

The Company shall maintain an electronic or physical surveillance register containing sufficient details of each alert, including:

- date of alert;
- client code and relevant security/contract;
- nature of alert;
- transaction/order details;
- investigation carried out;
- client clarification/documents, where obtained;
- observations and findings;
- action taken;
- reporting details, where applicable; and
- date and authority of closure.

Alerts shall be reviewed within the applicable regulatory/Exchange timeline and shall not remain pending without documented reasons.

Any material delay shall be escalated to the Compliance Officer and appropriately recorded.

13. Unsolicited Messages, Tips and Rumours

The Company shall exercise appropriate caution in respect of unsolicited SMS, emails, social media messages, WhatsApp communications, investment tips, rumours and other communications relating to securities.

The Company shall monitor securities identified by the Exchanges in connection with such activities and shall implement applicable trading restrictions or enhanced monitoring measures.

Clients shall be advised to make investment decisions based on informed assessment and not solely on unverified tips or rumours.

14. Employee and Connected-Person Surveillance

The Company shall monitor employee, director and other connected-person trading in accordance with applicable SEBI requirements and the Company's internal Code of Conduct/Employee Dealing Policy.

Any trading activity indicating possible conflict of interest, front-running, misuse of confidential information or other prohibited conduct shall be immediately escalated to the Compliance Officer.

15. Quarterly Management Information System

A quarterly surveillance MIS shall be prepared and placed before the Board/Designated Director.

The MIS shall include, at a minimum:

- alerts pending at the beginning of the quarter;
- new alerts generated;
- alerts reviewed and closed;
- alerts reported to the Exchange/regulator;
- alerts pending at the end of the quarter;
- reasons for pending alerts;
- material surveillance cases; and
- significant actions or exceptions during the quarter.

The Internal Auditor shall review the surveillance MIS and the effectiveness of the underlying surveillance process.

16. Record Maintenance

All surveillance alerts, investigation records, supporting documents, client communications, Exchange correspondence, reporting records and action-taken records shall be properly maintained.

Records shall be preserved for the period prescribed under applicable laws, regulations and Exchange requirements and, where no shorter period is prescribed, for at least five years.

Records shall be made available to SEBI, Stock Exchanges, auditors or other competent authorities whenever required.

17. System and Data Controls

The Company shall maintain appropriate controls over surveillance data and systems to ensure accuracy, completeness, confidentiality and availability of relevant information.

Where surveillance systems are unavailable, appropriate manual or alternative monitoring procedures shall be adopted, followed by reconciliation once the system is restored.

Access to surveillance records shall be restricted to authorised personnel.

18. Escalation and Regulatory Reporting

Where an investigation indicates suspicious, manipulative, fraudulent or otherwise irregular activity, the Compliance Officer shall determine the appropriate course of action, including restriction of trading, enhanced monitoring, obtaining additional information, escalation to senior management and reporting to the relevant Exchange, SEBI or other authority, wherever required.

Nothing in this Policy shall prevent the Company from making any regulatory or statutory report within a shorter period where required by applicable law, regulation, circular or direction.

19. Internal Audit and Board Oversight

The Internal Auditor shall periodically review the surveillance mechanism, including alert generation, investigation, documentation, closure, reporting and record preservation.

Material deficiencies identified during internal audit shall be reported to the Compliance Officer and appropriate corrective measures shall be implemented.

The Board of Directors shall periodically review the effectiveness of the surveillance framework and provide appropriate guidance for strengthening the Company's surveillance controls.

20. Policy Review and Amendment

This Policy shall be reviewed at least annually and additionally whenever there is a material change in applicable SEBI regulations, Exchange requirements, business activities, surveillance systems or market risks.

The Compliance Officer shall monitor regulatory and Exchange developments and recommend amendments wherever necessary.

All material amendments shall be placed before the Board of Directors for approval.

The latest applicable SEBI and Exchange requirements shall prevail in case of any inconsistency with this Policy.

Last Reviewed on	Reviewed By	Approved By
02-04-2026	Compliance Officer	Management