Nirmal Bang Securities Private Limited- Member NSE, BSE, MCX , NCDEX , MSEI

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Internal Surveillance Policy

1. Purpose

This Policy is framed pursuant to the surveillance requirements prescribed by the Securities and Exchange Board of India (SEBI), National Stock Exchange of India Limited (NSE), BSE Limited (BSE), Multi Commodity Exchange of India Limited (MCX), National Commodity & Derivatives Exchange Limited (NCDEX), and other applicable regulatory authorities.

The Policy establishes a robust internal surveillance mechanism to monitor trading activities of clients, identify suspicious transactions, investigate Exchange-generated and internally generated alerts, and ensure timely reporting of suspicious activities to the respective Exchanges and regulatory authorities.

2. Regulatory Framework

This Policy is framed in accordance with the applicable provisions of the Securities Contracts (Regulation) Act, 1956, the SEBI Act, 1992, SEBI Rules and Regulations, and the circulars, guidelines and directions issued by SEBI and the Stock Exchanges from time to time, including but not limited to:

1. **SEBI Master Circular on Surveillance of Securities Market**, last updated on **May 15, 2026**, consolidating and superseding earlier surveillance circulars, including the Master Circular dated September 23, 2024.

2. **SEBI Master Circular bearing reference no. SEBI/HO/ISD/ISD-PoD-2/P/Cir/2024/126 dated September 23, 2024** on Surveillance Obligations for Trading Members, to the extent applicable and as updated by subsequent SEBI Master Circulars.

3. **NSE Surveillance & Investigation Consolidated Circular (NSE/SURV/74008, Circular No. 313/2026 dated April 30, 2026)**, which consolidates the surveillance and investigation circulars applicable to Trading Members and replaces various earlier circulars on surveillance obligations.

4. **MCX Master Circular Surveillance & Investigation (MCX/S&I /251/2026 dated 30.04.2026) Master Circular – Surveillance & Investigation.** The 2026 Circular consolidates all operative Survelliance and Investigation directions issued by MCX up to 31.03.2026 into one documents.
5. Relevant surveillance circulars, operational guidelines, FAQs, surveillance dashboard requirements, and surveillance indicators issued by **NSE**, as amended from time to time.

6. Relevant surveillance circulars, notices, operational guidelines, and surveillance requirements issued by **BSE Limited**, as amended from time to time.

7. Relevant surveillance circulars issued by **NCDEX**, wherever applicable to the Member's business.

8. Any circulars, notifications, directions, clarifications, standard operating procedures (SOPs), or amendments issued by SEBI, NSE, BSE, MCX, NCDEX, or any other competent regulatory authority from time to time.

3. Objectives

The objectives of this Policy are:

- To establish an effective surveillance mechanism for monitoring client trading activities.
- To identify abnormal, unusual, or suspicious trading behavior.
- To detect possible instances of market manipulation, insider trading, front running, circular trading, spoofing, layering, wash trades, and other prohibited market practices.
- To ensure timely investigation and closure of surveillance alerts.
- To strengthen internal risk management and regulatory compliance.
- To comply with the surveillance obligations prescribed by SEBI and the Exchanges.
- To maintain complete documentation and audit trails of surveillance activities.

- To promote market integrity, transparency, and investor protection.

4. Scope

This Policy shall apply to:

- All clients registered with the Member.
- Trading across Equity, Equity Derivatives, Currency Derivatives, Commodity Derivatives, Debt and any other Exchange segment in which the Member operates.
- Proprietary trading of the Member, wherever applicable.
- Authorized Persons , Branch Offices , Employees , Key Managerial Persons and designated persons .

5. Surveillance Framework

The surveillance mechanism shall consist of:

A. Exchange Generated Alerts

The Compliance/Surveillance Department shall download or receive alerts generated by the Exchanges daily.

These alerts shall be reviewed promptly and investigated within the timelines prescribed by the respective Exchange. Wherever no specific timeline is prescribed by the Exchange, the investigation shall ordinarily be completed within **30 calendar days** from the date of receipt of the alert, unless an extension is warranted due to the complexity of the investigation and is approved by the Compliance Officer. All findings, supporting documents, approvals, and the basis for closure or escalation shall be adequately documented and maintained for regulatory inspection and audit purposes.

B. Internal Surveillance Alerts

In addition to Exchange alerts, the Member shall generate internal alerts based on predefined parameters, including but not limited to:

- Significant increase in client turnover.
- Sudden change in trading pattern.
- Concentrated trading in particular securities / Commodities
- Identify abnormal volumes , sudden spikes , concentrated positions and unusual profit or loss patterns
- Off-market synchronization.
- Circular trading.
- Reversal trades.
- Large losses or gains inconsistent with client profile.

- Dormant accounts are becoming active.
- Trading immediately before price-sensitive announcements.
- Frequent modification or cancellation of orders.
- High order-to-trade ratio.
- Client-wise exposure beyond internal limits.
- Common mobile numbers, email IDs, bank accounts, or IP addresses across multiple clients.
- Connected or related client trading patterns.
- Trades are executed from common devices or locations.
- Any other alerts considered necessary by the Compliance Officer.

6. Alert Review Process

Upon generation or receipt of an alert:

1. The alert shall be assigned to the designated Surveillance team.
2. Relevant trade details shall be obtained.
3. Client KYC, financial profile, source of funds, and trading history shall be examined.
4. News, corporate announcements, and public information shall be reviewed.
5. Relationships with counterparties, if any, shall be analyzed.
6. Any explanation from the client shall be obtained wherever required.
7. Supporting documents shall be collected.
8. Findings shall be documented.
9. The alert shall either be closed with proper justification or escalated.

7. Investigation Parameters

The investigation shall include examination of:

- Client profile.
- Income and financial capacity.
- Risk categorization.
- Historical trading pattern.
- Fund and securities movement.
- Market movement during the relevant period.
- Related client activity.

- Beneficial ownership.
- Ultimate beneficiary.
- Bank account analysis.
- Common contact details.
- Device/IP analysis where available.
- Exchange observations.
- Apply enhanced scrutiny to High-Risk Clients , PEP , Clients repeatedly modifying orders or client codes .
- Any other relevant information.

8. Escalation Matrix

Where suspicious activity is observed:

- The matter shall immediately be escalated to the Principal Officer and Compliance Officer.
- Senior Management shall be informed where required.
- Appropriate action shall be taken in accordance with regulatory requirements.
- Suspicious transactions shall be reported to the concerned Exchange within prescribed timelines.
- Wherever applicable, obligations under the Prevention of Money Laundering Act (PMLA) and related regulations shall also be complied with.

9. Alert Closure

Alerts may be closed only after:

- Completion of investigation.
- Adequate documentation.
- Recording of findings.
- Approval by the designated authority.

Closure shall clearly specify:

- Nature of alert.
- Investigation carried out.
- Evidence reviewed.
- Conclusion.
- Reason for closure.

10. Record Maintenance

The Member shall maintain:

- Exchange alerts.
- Internal alerts.
- Investigation reports.
- Client explanations.
- Supporting documents.
- Escalation records.
- Closure notes.
- Reporting records.

Records shall be preserved for the period prescribed under applicable laws and regulations.

11. Roles and Responsibilities

Surveillance Team

- Daily monitoring of alerts.
- Investigation of suspicious activities.
- Preparation of investigation reports.
- Maintenance of surveillance records.

Compliance Officer

- Overall supervision of surveillance activities.
- Regulatory reporting.
- Monitoring compliance with SEBI and Exchange requirements.
- Periodic review of surveillance effectiveness.

Principal Officer

- Oversight of suspicious transaction reporting where applicable.
- Coordination with regulatory authorities.

Senior Management

- Periodic review of surveillance reports.
- Ensuring adequate manpower and technology. The Compliance Department shall organize surveillance and compliance training programmes at least **once every year**, and additional training sessions should be conducted whenever there are significant regulatory changes, amendments to SEBI or Exchange circulars, implementation of

new surveillance systems, or observations arising from regulatory inspections or internal audits.

- Attendance records, training materials, and assessment records, wherever applicable, should be maintained by the Compliance Department and preserved in accordance with the Company's record retention policy.
- Employees performing functions requiring mandatory certification possess valid **NISM (National Institute of Securities Markets)** certification(s) as prescribed by SEBI, the Stock Exchanges, and other applicable regulatory authorities.
- Strengthening surveillance controls.

12. Reporting

The Compliance Department shall:

- Submit reports to Exchanges within prescribed timelines.
- Report suspicious activities to regulatory authorities wherever required.
- Present periodic surveillance reports to Senior Management.

13. Periodic Review

The surveillance framework shall be reviewed at least annually or earlier if:

- New SEBI circulars are issued.
- Exchange surveillance parameters change.
- Internal risk assessment requires enhancement.
- Regulatory inspections recommend changes.

14. Confidentiality

All surveillance investigations, alerts, reports, and client information shall be treated as strictly confidential and shall be disclosed only to authorized personnel or regulatory authorities as required by law.

15. Policy Review and Approval

This Policy shall be approved by the Board of Directors/Designated Committee and reviewed at least once every year or whenever necessitated by changes in applicable laws, regulations, or Exchange requirements.

In accordance with the surveillance obligations prescribed by SEBI and the recognized Stock Exchanges, the Survelliance Department shall prepare and place a **Quarterly Management Information System (MIS) Report** on surveillance activities before the Board of Directors or the Designated Committee for its review and noting.

Effective Date: 03.08.2026

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Policy Owner: Survelliance Department

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