



SURVEILLANCE SYSTEM POLICY

DSE Financial Services Ltd. (DFSL) is a broking house which is 100% Subsidiary of Delhi Stock Exchange on its rolls doing transactions in both Exchanges, NSE & BSE. In order to avert the risk of client's default, presently, following system is followed:

Admission of Client

DFSL has a policy of admitting the client only upon completion of Know Your Client requirement and personal identification of client. The clients are admitted after due verification by the Sub-broker and information submitted in the Client Registration Form.

Alerts

Following are the alerts which are provided:

Sr No	Transactional Alerts	Segment
1	Significant 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	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
9	Order book spoofing i.e. large orders away from market	Cash

Surveillance at DFSL

To aid in the task of Risk Management, it is essential to have an online mechanism that would alert us of the change in the Clients position, on a real time basis, as transactions take place. For this purpose, we have installed RMS Software, specifically developed for the Broking environment. The software tracks the trades of each client, as and when they happen, and calculates his margin, using the NSE's SPAN margining software, and alerts us if his position exceeds the limit set for him. This is monitored by a team of 2 people who then instruct the Dealers to take appropriate action against the Client.

Scrip-wise Surveillance

A. Online Surveillance.

1. The surveillance team watches the online trades as they are executed, and sudden increase in volume in the particular scrip or client is immediately investigated by calling up the sub broker

and asking for details of clients and as per the details made available, the clients previous purchase or sales transactions are looked into, by viewing their ledgers.

2. The Surveillance Team gives limit in a very conservative manner, especially, illiquid scrips. Trading in such scrips are discouraged and allowed on a case to case basis. Any limit enhancement requests are first investigated and then upon being satisfied with the geniuses of the trade as well as the client, limits are accordingly increased.
3. Surveillance Team are monitoring the trades daily, any pattern in trading / limit enhancement is reported regularly to the CEO for further investigation.

B. Offline Surveillance

1. Unusually large volume is checked especially if the client has incurred a loss, or unusually high profits.
2. Where volumes are unusually high, they are compared with the total volume in the exchange for the day in that particular scrip, and such reporting is done to the CEO.
3. Price movement over a 3 / 6 months period is also tracked.
4. After due investigation (which normally takes two weeks), Surveillance Team reports to the CEO its finding and thereafter such scrip is disabled for trading for that client / branch and in some cases on the whole network.

Client-wise Surveillance

1. All the clients who have traded in the scrip placed in where there is unusual volume vis- a-vis average volume are scrutinized for their other scrip dealings.
2. Looking at the general quality of scrips that they are dealing in, Surveillance team reports to the CEO for further action on whether we want to continue to deal as a broker for that client or not.
3. Intra-day Scrip Wise Volume:-Our back office software has a module which offline tracks the intra-day loss of all clients. The Surveillance Team prepares & scrutinizes the statement to look at any unnatural volumes.