

GLOBE CAPITAL MARKET LTD. (GCML)

Surveillance Policy

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Internal Use Only

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1. INTRODUCTION

1.1 Purpose

This Surveillance Policy establishes a comprehensive framework for Globe Capital Market Limited ("GCML" or "the Company") to monitor, detect, investigate, and prevent unfair trading practices across the Indian Capital Market segment. This policy demonstrates our commitment to maintaining market integrity, protecting investor interests, and ensuring compliance with regulatory requirements.

1.2 Scope

This policy applies to all trading activities conducted through GCML in different market segment, including but not limited to equity, equity derivatives, commodity derivative, Currency derivative, debt instruments, and other securities traded on recognized stock exchanges in India.

1.3 Policy Statement

GCML is committed to upholding the highest standards of market integrity by implementing robust surveillance mechanisms to identify and address potential market abuses, unfair trading practices, and regulatory violations in a timely and effective manner.

2. REGULATORY FRAMEWORK

The Company adheres to applicable laws, regulations, and guidelines prescribed by:

- Securities and Exchange Board of India (SEBI) – governing securities market conduct.
- Stock Exchanges (NSE, BSE, MCX, etc.) – ensuring orderly market functioning.
- Prevention of Money Laundering Act (PMLA) – monitoring and reporting financial transactions.
- Other Applicable Laws – covering ethical trading and compliance norms.

3. OBJECTIVES

3.1 Primary Objectives

- Establish systematic procedures to detect and prevent market manipulation, fraudulent transactions, and unfair trading practices
- Ensure compliance with regulatory requirements related to market surveillance
- Protect the interests of investors by maintaining fair and transparent market practices
- Identify and mitigate potential risks associated with trading activities
- Maintain the integrity and reputation of the capital markets
- Establish robust mechanisms for monitoring client trading patterns
- Create effective systems for alert generation, investigation, and resolution

3.2 Strategic Objectives

- Develop advanced technological capabilities for real-time surveillance
- Foster a culture of compliance and ethical trading practices
- Establish GCML as a trusted and reliable market participant
- Mitigate legal and reputational risks associated with market abuses
- Contribute to the overall stability and efficiency of the Indian capital markets

4. ORGANIZATIONAL STRUCTURE

4.1 Surveillance Department

GCML shall maintain a dedicated Surveillance Department responsible for implementing this policy. The department shall be adequately staffed with professionals having relevant experience and expertise in market surveillance, compliance, and risk management.

4.2 Reporting Structure

- The Surveillance Department shall be headed by a Senior Officer designated as the Chief Surveillance Officer
- The Surveillance Department shall maintain operational independence from the trading and business development teams

4.3 Roles and Responsibilities

4.3.1 Board of Directors

- Approve the Surveillance Policy and any material amendments
- Ensure allocation of adequate resources for surveillance functions
- Review quarterly surveillance reports and provide strategic guidance
- Oversee the effectiveness of the surveillance framework

4.3.2 Head of Surveillance

- Lead the Surveillance Department and manage day-to-day operations
- Implement surveillance procedures and protocols
- Analyze surveillance alerts and reports
- Escalate significant findings to the Board/ Audit Committee/ Exchanges/ FIU-IND
- Coordinate investigations of suspicious trading activities
- Train surveillance staff on latest surveillance techniques
- Stay updated on market trends and regulatory developments

4.3.5 Surveillance Analysts

- Monitor real-time trading activities
- Generate and review surveillance alerts
- Conduct preliminary investigations
- Prepare surveillance reports
- Maintain surveillance records and documentation

5. SURVEILLANCE MECHANISMS

5.1 Trade Monitoring System

5.1.1 Real-time Surveillance

- Implementation of automated systems for continuous monitoring of trading activities
- Real-time tracking of price movements, volume patterns, and order flows
- Identification of unusual trading patterns and market anomalies
- Monitoring of news and corporate announcements in relation to price movements
- Dynamic threshold-based alerts for price and volume variations

5.1.2 End-of-Day Analysis

- Comprehensive analysis of daily trading data
- Identification of patterns that may not be evident in real-time monitoring
- Correlation analysis between different securities and market segments
- Historical comparison of trading patterns
- Analysis of settlement data and position changes

5.1.3 Automated Alert System

- Rule-based alerts for predefined scenarios of potential market abuse
- Machine learning algorithms to detect unusual patterns
- Integration with exchange surveillance mechanisms
- Custom alert parameters based on security characteristics

5.2 Client-Level Surveillance**5.2.1 Client Risk Profiling**

- Classification of clients based on risk parameters:
- Trading history and patterns
- Financial capacity and background
- KYC details and verification status
- Transaction history and compliance record
- Periodic review and updating of risk profiles
- Enhanced monitoring for high-risk clients

5.2.2 Trading Pattern Analysis

- Monitoring of significant changes in client trading behavior
- Analysis of trading frequency, volume, and preferred securities
- Comparison of current trading patterns with historical behavior
- Identification of unusual trading strategies
- Monitoring of fund flows in relation to trading activities

5.2.3 Concentrated Positions Monitoring

- Tracking of significant positions in individual securities
- Monitoring of position build-up prior to price-sensitive announcements
- Analysis of concentrated positions across related clients
- Correlation between position build-up and market movements
- Monitoring of positions near derivative expiry dates
- Monitoring of trading activities from common Device/IP addresses

5.3 Scrip-Level Surveillance**5.3.1 Price and Volume Monitoring**

- Identification of securities with unusual price movements
- Analysis of price-volume correlation
- Detection of abnormal trading patterns in specific securities
- Monitoring of securities with thin trading volumes
- Tracking of circuit limit hits and trading halts

5.3.2 Corporate Action Analysis

- Monitoring of trading activities around corporate announcements
- Analysis of price and volume movements before and after corporate actions
- Identification of unusual trading prior to price-sensitive information disclosure
- Correlation between news events and trading patterns
- Tracking of insider trading indicators

5.4 Market Abuse Detection**5.4.1 Price Manipulation Detection**

- Monitoring for pump and dump schemes
- Identification of marking the close patterns
- Detection of spoofing and layering activities
- Analysis of artificial volume creation
- Identification of circular trading patterns

5.4.2 Front-Running Detection

- Analysis of trading patterns before large institutional orders
- Identification of trades preceding broker proprietary transactions
- Monitoring of trading by employees and associated persons
- Detection of unusual profits from anticipatory trading
- Correlation between proprietary and client order flows

5.4.3 Insider Trading Surveillance

- Monitoring of trading before price-sensitive announcements
- Analysis of unusual profits from timely trades
- Detection of trading patterns among potentially connected entities
- Tracking of trading by company insiders and connected persons
- Correlation between trading activities and corporate developments

5.4.4 Other Market Abuses

- Detection of wash trades and self-trades
- Identification of synchronized trading
- Monitoring for artificial market creation
- Detection of misleading patterns created by algorithmic trading
- Identification of market cornering attempts

6. ALERT GENERATION AND MANAGEMENT**6.1 Alert Parameters****6.1.1 Price-Based Parameters**

- Sudden price movements beyond defined thresholds
- Abnormal price changes without proportionate volumes
- Price movements against market trends
- Opening and closing price manipulation indicators
- Price reversals after artificial movements

6.1.2 Volume-Based Parameters

- Unusual spike in trading volumes
- Disproportionate client participation in market volumes
- Volume concentration in specific time windows
- Trading volumes inconsistent with historical patterns
- High volume in traditionally illiquid securities

6.1.3 Order-Based Parameters

- Unusual order placement and cancellation patterns
- Spoof orders placed and withdrawn strategically
- Suspicious modifications of order quantities and prices
- Orders placed to influence market sentiment

6.1.4 Client-Based Parameters

- Trading activities inconsistent with client profile
- Unusual trading in dormant accounts
- Synchronized trading across multiple clients
- Significant deviations from established trading patterns
- Unusually profitable trading in volatile market conditions

6.2 Alert Processing**6.2.1 Initial Assessment**

- Review of alert details and parameters triggered
- Preliminary evaluation of trading patterns and circumstances
- Documentation of initial observations

6.2.2 Alert Investigation

- Detailed analysis of trading data and patterns
- Review of client transaction history and profile
- Correlation with market events and news
- Collection of additional information if required
- Consultation with trading team for market context
- Documentation of investigation findings

6.2.3 Alert Resolution

- Determination of appropriate action based on investigation
- Closure of alerts with satisfactory explanation
- Escalation of suspicious activities for further investigation
- Implementation of preventive measures where applicable
- Documentation of resolution process and rationale

7. INVESTIGATION PROCESS**7.1 Preliminary Investigation****7.1.1 Data Collection**

- Gathering of relevant trading data and transaction details
- Compilation of order logs and execution details

- Collection of client communication records if applicable
- Review of KYC details and client background
- Gathering of relevant market data and news

7.1.2 Pattern Analysis

- Analysis of trading patterns and timing
- Comparison with historical activities
- Identification of potential connections with other clients
- Correlation with market events and corporate actions
- Review of profit and loss patterns

7.1.3 Initial Findings

- Documentation of preliminary observations
- Determination of investigation scope
- Identification of additional information requirements
- Assessment of potential regulatory implications
- Decision on further investigation approach

7.2 Detailed Investigation

7.2.1 Client Communication

- Seeking clarifications from clients where necessary
- Request for trade rationale and supporting documentation
- Verification of trading instructions and authorizations
- Documentation of client explanations and responses
- Assessment of response credibility and consistency

7.2.2 Evidence Collection

- Documentation of all findings and observations
- Preservation of relevant electronic and physical records
- Collection of supporting documents and data
- Maintenance of investigation timeline and activity log
- Preparation of investigation summary report

7.3 Investigation Outcomes

7.3.1 Conclusion Determination

- Assessment of evidence against regulatory requirements
- Determination of violation occurrence and severity
- Identification of responsible individuals or entities
- Evaluation of systemic issues or control failures
- Documentation of reasoned conclusions

7.3.2 Action Recommendation

- Recommendation of appropriate disciplinary measures
- Suggestions for control enhancements
- Determination of regulatory reporting requirements
- Recommendations for client account actions
- Proposals for preventive measures

8. REPORTING

8.1 Board Reporting

- Quarterly surveillance effectiveness assessment
- Summary of significant cases and regulatory interactions
- Long-term surveillance strategy and enhancements
- Approval requests for major policy changes

8.2 Regulatory Reporting

- Suspicious transaction reports as required by regulations
- Periodic reports mandated by exchanges and regulators
- Unusual trading pattern reports as per regulatory requirements
- Self-disclosure of identified violations
- Compliance certification reports

9. ESCALATION

- Critical Alerts: Immediate escalation to appropriate level
- High Priority Alerts: Same-day escalation through required levels
- Regulatory Sensitive Matters: Expedited escalation to Chief Surveillance Officer
- Market Disruption Events: Immediate escalation to Senior Management

10. CLIENT COMMUNICATION AND ACTIONS

10.1 Client Clarifications

10.1.1 Communication Approach

- Professional and non-accusatory communication
- Clear explanation of the purpose of inquiry
- Specific details of trading activities in question
- Defined timeframe for client response
- Documentation of all communications

10.1.2 Information Requests

- Trade rationale and decision-making process
- Source of funds for significant transactions
- Supporting documentation for trading decisions
- Clarification on unusual trading patterns
- Explanation for synchronized trades if applicable

10.2 Preventive Actions

10.2.1 Trading Restrictions

- Implementation of additional margin requirements
- Volume restrictions for specific securities
- Pre-trade approval requirements for select securities
- Frequent reconciliation of positions and exposures
- Enhanced due diligence on trading patterns

10.3 Disciplinary Actions

10.3.1 Warning and Penalties

- Formal warning letters for first-time minor violations
- Recovery of illegitimate gains where applicable
- Temporary trading restrictions as disciplinary measure
- Enhanced compliance requirements

10.3.2 Severe Actions

- Termination of trading accounts for serious violations
- Permanent restriction from specific market segments
- Reporting to regulatory authorities
- Legal action for fraud or willful misconduct
- Blacklisting for industry-wide circulation where permitted

11. REGULATORY INTERACTION

11.1 Regulatory Reporting

11.1.1 Suspicious Transaction Reporting

- Identification of reportable suspicious transactions
- Preparation of detailed suspicious transaction reports
- Timely submission to relevant regulatory authorities

11.1.2 Regulatory Disclosures

- Regular reports as mandated by regulations
- Ad-hoc disclosures of significant market events
- Self-reporting of identified violations
- Responses to regulatory inquiries and investigations
- Periodic compliance & certifications

12. TRAINING AND AWARENESS

- **Training Programs:** Conducting regular workshops on regulatory norms and ethical trading.
- **Client Communication:** Educating investors about their responsibilities and trading conduct.
- **Policy Acknowledgment:** Employees and clients must acknowledge and adhere to this policy.

13. RECORD KEEPING

- **Surveillance Logs:** Maintaining records of all alerts, investigations, and actions.
- **Audit Trails:** Keeping track of system-generated alerts and manual investigations.
- **Retention Period:** All records shall be preserved for at least five years, or as mandated by SEBI and stock exchanges
- **Retrieval infrastructure**

14. POLICY REVIEW AND UPDATE

- **Annual Reviews:** The policy shall be reviewed and updated annually.
- **Regulatory Changes:** Amendments shall be made based on changes in laws and market conditions.
- **Stakeholder Feedback:** Inputs from compliance teams and regulatory authorities will be incorporated.

15. COMPLIANCE MONITORING & INTERNAL AUDIT

- Verification of policy implementation
- Testing of alert effectiveness
- Review of investigation quality
- Regular audits of surveillance processes by internal auditor
- Assessment of documentation adequacy

16. CONCLUSION

This Surveillance Policy demonstrates Globe Capital Market's commitment to maintaining market integrity, protecting investor interests, and ensuring regulatory compliance. By implementing robust surveillance mechanisms, clear procedures, and a culture of vigilance, GCML aims to contribute to fair, efficient, and transparent capital markets in India.

The policy shall be effective immediately upon approval by the Board of Directors and shall be binding on all employees, officers, and directors of the company.