

**CHAPTER – 9****MARKET SURVEILLANCE AND INVESTIGATION****9. Market Surveillance and Investigation**

The Exchange shall provide adequate and effective surveillance and monitoring mechanism for the purpose of initiating timely and pro-active measures to facilitate checking and detecting suspected or alleged market manipulation, price rigging or insider trading to ensure the market integrity and fairness in trading. For this purpose, the Exchange may, from time to time, apply, adopt, determine and implement various measures, mechanisms and requirements, as may be provided in the relevant Regulations and as may be decided by the Relevant Authority from time to time.

**9.1 Price Bands**

There may be daily/intra-day/weekly price bands, as the case may be, for all the securities, as may be provided in the relevant Regulations from time to time, except in respect of securities in which trading in its derivative instruments is permitted and the securities included in the indices on which derivative products are available for trading, unless specifically decided otherwise by the Relevant Authority. These price bands may be made uniformly applicable and implemented at all the stock exchanges. The base price, in relation to a security, shall be determined in such manner, as may be provided in the relevant Regulations from time to time. The Exchange shall publish the changes effected in the price bands on the Website / ATS of the Exchange, latest on the next working day.

**9.2 Circuit Breakers or Filters**

There may be market wide circuit breakers, as may be decided by the Relevant Authority from time to time. There may be circuit filters specific

to securities, as may be decided by Relevant Authority from time to time. Market wide circuit breakers or security specific circuit breakers shall cause temporary or permanent trading halts for market as a whole or specific to a security, as the case may be, and as may be decided by the Relevant Authority from time to time.

### **9.3 Market Alerts or Watch**

There shall be pre-determined parameters to generate alerts in securities, based on abnormal fluctuation in prices or volumes, variations in the order or trade prices and/or order or traded quantities in relation to time intervals or trading members' activities, or by following any other criteria.

### **9.4 Alerts to Trading Members**

The Exchange shall, on the basis of pre-determined parameters relating to aberrations in prices and volumes of transactions, identify the securities and disseminate information about the same to the trading members cautioning them to be alert / to exercise due diligence, while dealing in such securities, at such intervals, as may be specified in the relevant Regulations from time to time,

### **9.5 Rumour / News Verification**

On the basis of rumour / news appearing in print media in relation to any corporate development in respect of any listed company, necessary clarification or confirmation shall be sought, from the concerned company and such clarification or confirmation shall be disseminated to the market through electronic media by the Exchange as soon as possible from the time such confirmation or clarification is received.

### **9.6 Dissemination of Price Sensitive Information to Market or Public**

Any price sensitive information in relation to any securities received from a company shall be disseminated to the market or public through electronic display, as soon as possible, as may be provided in the

relevant Regulations from time to time. The price sensitive information shall include any positive / negative information capable of influencing the movement of prices and may, interalia, relate to dividend, bonus, rights and/or any other privilege being considered in favour of shareholders, in general, and/or any other information, such as strike, lock-out, closing of any unit, etc.

## **9.7 Preventive Measures**

For reasons of suspected or alleged market manipulation, price rigging or insider trading or any other similar reason, the Relevant Authority may at its discretion, take at any time any of the corrective actions and for such period, as may be decided by the Relevant Authority from time to time, which may include the following:

- 9.7.1** disallow trading in any security or securities in the specific segment or market types, or
- 9.7.2** take such measures, as may be provided in the Bye-laws and Regulations relating to risk management, as may be specifically provided under the Bye-laws relating to additional/special risk containment measures, and
- 9.7.3** Whenever trading in any security is suspended by any stock exchange for market manipulation, price rigging or any other similar reason, the Exchange shall ipso facto suspend trading in such security on receiving intimation in writing from the concerned stock exchange to that effect, and shall revoke suspension on receiving intimation so to do, from the concerned stock exchange which had suspended trading, or as may be directed by SEBI.

## **9.8 Price or Quantity Freeze**

The Relevant Authority may, from time to time, decide various parameters like price, quantity, value or such other parameters for the purpose of applying price, quantity or value freeze to any order placed by any trading

member and such order shall be allowed to be processed for execution only after ascertaining from the trading member about the genuineness of the order and about adequacy of capital with the Clearing Agency. The Exchange or Clearing Agency shall, on best endeavour basis, proceed to ascertain and complete this process. The Exchange or Clearing Agency shall, however, in no way, be liable for any delay in completing the process for execution and attendant consequences, if any.

### **9.9 Trade Cancellation or Modification**

The Relevant Authority may, at its discretion, cancel/modify a trade, either in part or in full, at any time, where it is satisfied that the circumstances warrant such measure in the interest of market integrity and fairness in trading, without any written or oral request from the concerned trading members to the trade and without giving any reason thereof. Wherever any trade or trades are cancelled or modified in pursuance of the discretion exercised by the Relevant Authority as provided herein, such cancellation and/or modification shall be final, binding and conclusive for the concerned trading members and/or sub-brokers and/or clients.

### **9.10 Surveillance Analysis of Alerts**

The alerts generated as provided herein shall be analysed by taking into account concentration of transactions by trading member(s) and/or by client(s) at gross level and/or net level, price movements, prima facie relationship between client(s) and/or trading member(s), and/or other related or connected person(s), price sensitive corporate announcements or news or any other relevant information, cause or reason, which is likely to influence the movement of price and/or activity in the transactions, as may be provided in the relevant Regulations or as may be decided by the Relevant Authority from time to time.

#### **9.10.1 Trading Member Required to Furnish Information or Details**

Every trading member shall be required to furnish all updated details of client(s), alongwith all the enclosures, as may be prescribed in the relevant client registration form under the relevant Regulations, as may be in force from time to time, order or trade details in respect of security/securities, and other relevant documents, as may be prescribed in the relevant Regulations from time to time and such other information, details and/or document which, in the opinion of the Relevant Authority, are necessary for the purpose of conducting and completing the analysis under Bye-law 9.10 and are essential to constitute evidence for the purpose of investigation.

**9.10.2 Non-Compliance by Any Trading Member in Furnishing Information or Details or Documents Demanded**

If any trading member fails and/or delays in providing any information, details or documents, as may be required herein or as may be provided in the relevant Regulations within the stipulated time, as may be specified by the Relevant Authority from time to time, such trading member shall render himself liable for fine and/or any other disciplinary action, as may be provided in the Rules, Bye-laws and Regulations of the Exchange from time to time.

**9.10.3 Conclusion of Analysis**

Based on the details obtained from the concerned trading members as provided herein and after analyzing them taking into account such parameters, as may be provided in the relevant Regulations and as may be decided by the Relevant Authority from time to time, which may relate to liquidity of securities, concentration at gross level as well as at net level, both for clients and trading members, the securities where concentration coupled with prima facie observation of suspected relationship between trading members and/or between clients of trading members

and/or between any other persons related or connected to the trading members and/or to the clients and/or to the directors or any officials of the company whose securities are being analyzed, such cases shall be required to be further taken up for detailed scrutiny and investigation. All other cases, where such concentration and/or such prima facie relationships are not observed, shall not be taken up for further scrutiny and investigation and as such shall be closed after proper recording, as may be provided in the relevant Regulations from time to time.

### **9.11 Detailed Scrutiny and Investigation**

All cases not closed as provided in Bye-law 9.10 shall be taken up for investigation requiring the concerned trading member(s) to provide various details relating to the relevant period of investigation, including complete trade or order details of client(s), updated details of client(s), as may be prescribed in the relevant client registration form along with all the enclosures as may be prescribed by the Relevant Authority from time to time, copies of member-client agreements, relevant documents, including memorandum of association, balance sheet, statements of trading members' bank or demat accounts and such other information, details and documents, as may be specified by the Relevant Authority and within such time as may be stipulated from time to time.

#### **9.11.1 Conclusion of Scrutiny and Investigation**

Based on the information, details and documents obtained from the concerned trading members and after detailed analysis, an inference shall be drawn as to whether or not there appears to be any involvement of trading member(s), either by themselves or through their partner(s) or their director(s) or associate(s) or with other trading member(s) and/or through their partner(s) or their director(s) or associate(s), or clients either by themselves or through their partner(s) or their director(s) or associate(s) or with other trading member(s) and/or through their partner(s) or their

director(s) or associates and companies, by themselves or by their other directors and/or officials, whose security is being scrutinized and investigated, which suggest relationship or collusion, pattern in trading, nature of deals appearing to be cross deals or structured deals, or any other deals executed by a trading member or trading members with a design or an intent to rig or manipulate the price and/or activity in such security or conducting business in any manner in violation of the provisions contained in SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 or leaving a suspicion of being privy to inside information and executing orders to the advantage of entities privy to inside information, whether knowingly or otherwise.

#### **9.11.2 Post Investigation Action Against Trading Member**

In case where the inference drawn is against any trading member(s), such cases shall be taken up for suitable disciplinary action, as may be provided in the relevant Regulations from time to time.

#### **9.11.3 Post Investigation Action Against Client or Company Director or Company Official**

In case where the inference drawn is against any client(s), a director or an official of a company, such cases shall be forwarded to SEBI for such action as may be deemed fit by SEBI.

#### **9.11.4 Post Investigation Action**

In case where the inference drawn is against trading member(s) as well as client(s), or a director or an official of a company, action as stipulated above against the concerned trading member(s) shall be initiated by the Exchange without prejudice to the action that may be taken by SEBI against the concerned trading member for the same offence and for action against client(s), or a director or an official of a company, such cases shall be forwarded to SEBI for such action as may be deemed fit by SEBI.

**9.11.5 Cases Treated as Closed After Scrutiny And Investigation**

If a case does not fall under any of the aforesaid categories requiring action, such case shall be treated as closed after proper recording, as may be provided in the relevant Regulations from time to time.

**9.12 Impounding of Auction And Close-out Proceeds**

If the Relevant Authority is satisfied that there are justifiable reasons to believe that the proceeds or pay-out against any transactions in any one security or set of securities or auction or close out should not be released, the Relevant Authority may, at its discretion, after recording the reasons in writing, decide and order to keep in abeyance such proceeds or pay-out otherwise due to be released to any trading member and/or any client, until a detailed investigation is carried out and the investigation report is submitted to the Relevant Authority. If the investigation report draws a conclusion that releasing of proceeds or pay-out to any trading member and/or any client will tantamount to benefiting such trading member and/or client involved in manipulation or in any other fraudulent transaction, the Relevant Authority may, at its discretion, after affording an opportunity of being heard to the affected trading members or clients, decide and order to impound such proceeds or pay-out and credit such amount to such fund, as may be decided by the Relevant Authority from time to time.

**9.13 Disclosure of Action Taken**

Where the Relevant Authority has taken any disciplinary action against any trading member found to be guilty on any of the above reasons, the Exchange shall immediately display such action on its Website and inform SEBI.

**9.14 Code of Ethics**

The Exchange shall strictly enforce applicable code of ethics, on the trading members, directors, members of various committees and

employees of the Exchange, as may be specified by SEBI from time to time.

#### **9.15 Co-ordination Between Stock Exchanges**

To facilitate better and quicker co-ordination among the stock exchanges, the Exchange shall designate a co-ordination officer who may be contacted for immediate exchange of information and establish a mechanism for exchange of information relating to price movements, circuit breakers or filters or any other information found necessary, so as to be effective in risk management, surveillance and investigation areas.