



Compliance Officer: Ms. Neetu Arora

Policy Review Date: 12-06-2023

SURVEILLANCE POLICY

Objective:

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market.

With respect to the transactional alerts being downloaded from the Depository / Exchanges as well as alerts generated at our own end, we have put in place a surveillance framework, which shall cover the following:

Governance

2. The policy documents approved by our Board and stipulated to review this policy document once in a year with the view to strengthen and keep in line with the Market Trends.

Obligation to frame the Surveillance Policy and generate Surveillance Alerts

We have framed a surveillance policy based on nature of **DP business, type of clients, number of demat accounts, number of transactions** etc.



Moreover, cover the nature of our business model, different type and combination of services to different types of clients (Retail / HNI / Institutional), Modes of Services to clients (Call and Trade / Mobile based Trading / Internet Based Trading / PMS Services / Algorithmic Trading etc.) and cover the following:

7. Generate the surveillance alerts as guided by the below indicative themes:

Depository Participant Operations:

1. Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
2. Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3. Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4. Frequent Off-Market transfers by a client in a specified period
5. Off-market transfers not commensurate with the income/Networth of the client.
6. ledge transactions not commensurate with the income/Networth of the client.
7. Off-market transfers (High Value) immediately after modification of details in demat account
8. Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales



9. Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
10. Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

Stock Broking Operations:

- a. Client / group of clients, as identified by us, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
- b. Client / group of clients with new account or clients dealing after a significant time gap, as identified by us, accounting for a significant value/ percentage of the total trading activity in a scrip / contract as compared to the market.
- c. Client / group of clients dealing frequently in small quantities / minimum market lot in a scrip / contract.
- d. Disproportionate trading activity vs reported Income / Net worth.
- e. Frequent change in the KYC submitted by clients.
- f. Based on the announcement by a listed company, identify client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by the said listed company.
- g. Client / group of clients having significant selling concentration, in the scrips, forming part of "For Information List" or "Current Watch List".



- h. Consistency in profit / loss at client / group of clients' levels, rational for such trading activities.
 - i. Significant trading activity in scrips by client who has pledged the shares of same scrip.
 - j. In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring the client's address as per KYC vis a vis the dealing office address.
 - k. Additional themes applicable in case of having the membership of Depository Participant - Significant trading activity in scrips where the client has pledged shares or has significant holding has frequent off-market transactions.
 - l. Additional themes applicable in case of providing the facility of Internet based Trading - Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location).
 - m. Securities under Insolvency and Bankruptcy Code (IBC) / Inter-Creditors Agreement (ICA) – As per the joint surveillance meeting of SEBI and Exchange dated 20th May, 2022 – Additional Surveillance measures adopted for the securities under IBC / ICA.
8. Review and disposal of transactional alerts provided by CDSL
 9. Disposal of alerts within 30 days from the date of alerts generated at DP end and alerts provided by CDSL.
 10. Reporting to CDSL and other authorities as applicable, in case of any abnormal activity
 11. Processing of alerts within 45 days from the date of alerts downloaded by the Exchanges as well as alerts generated at our own end.
 12. Documentation of the reason for any delay in the disposition of any of the alerts.



13. Identification of Suspicious / Manipulative activity.
14. Formulate the framework for appropriate actions in addition to the obligations under the Prevention of Money Laundering Act (PMLA), which may include suspension of the trading activity of the suspect client or any other appropriate action as may be deemed fit.
15. Record maintenance for the period as stipulated under applicable statutes.

Obligation regarding client due diligence

4. Need to carry out client due diligence on an on-going basis.
5. Update the key KYC parameters of the clients in the UCC database of the Exchange on a periodic basis as prescribed by the SEBI / latest information of the client.
6. Identity multiple accounts / common account / group of clients based on available information to establish groups / association amongst clients.

Obligation w.r.t. processing of alerts

5. Maintain register (electronic/physical) for recording of all alerts generated
6. Obtain trading rational, while analyzing / processing the alerts. Also, verify the bank statement, demat statement and obtain necessary documents as required from the client.
7. After verifying the documentary evidences, need to record its observations for such identified transactions of its Client / Group of Clients.
8. With respect to the transaction alerts downloaded by the Exchange, need to analyze the alerts and provide status thereof (Verified & Closed/Verified & Reported to Exchange) including action taken is updated within 45 days, in the Member Surveillance Dashboard.



9. With respect to the alerts generated at our end, need to report instances with adverse observation (if any) along with details of action taken, to Depository / Exchange within 7 days / 45 days of the date of identification of adverse observation

Obligation of Compliance officer, Designated Director and Internal Auditor

5. The surveillance activities shall be conducted under overall supervision of our Compliance Officer.
6. A quarterly MIS shall be put up to the Designated Director on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the Designated Director shall be apprised of any exception noticed during the disposal of alerts.
7. Designated Directors would be responsible for all surveillance activities carried out by us.
8. Our Internal auditor need to review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of the audit. Internal auditor shall record the observations with respect to the same in their report.
9. Our Internal Auditor need to verify that the quarterly MIS and placed before the Board of the DP

Obligation of Quarterly reporting of status of the alerts generated by Participant

4. Provide duly approved status of the alerts on a quarterly basis, in the format prescribed to the Exchange within 15 days from the end of the quarter.
5. In case, if, we do not have anything to report, then need to submit NIL report within 15 days from end of quarter.



6. The above details need to upload on the Member Surveillance Dashboard (MSD) within 15 days from the end of the quarter.

Penalty in case of late / non-submission of Quarterly Reporting of Status:

2. The Depository / Exchange has the power to impose the penalty in case of late / non-submission of quarterly reports of the alerts.

Disciplinary action for non-fulfilment of Surveillance obligation

4. We need to fulfill all our surveillance obligation otherwise, during the inspection, if it is observed that we have not fulfilled our surveillance obligations, then appropriate disciplinary action shall be initiated by the Depository / Exchange.
5. Any non-compliance with respect to surveillance obligations which may, inter alia include delay in processing of transactional alerts downloaded by the exchange and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of the Rules, Bye-laws and Regulations of the Depository / Exchange.
6. It may further be noted that aforesaid measure does not preclude SEBI / Exchange / Depository to take any further action(s), if the facts and circumstances so demand.