

DP SURVEILLANCE POLICY

A. 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 and transaction practices. This monitoring is required to identify and curb suspicious/manipulative transactions, analyse the trading pattern of the clients in order to observe whether any transaction (buying / selling / disposing / transferring) 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 or avoidance of tax or any applicable laws. The monitoring is also required to minimize business risk through better profiling of clients and transactions.

B. Background:

We along with our Employees/Branch-Offices/Sub-Brokers/Authorized Persons are the first touch point in the securities market for investors and are expected to have reasonably fair understanding about our client(s) and their trading / transaction activity. Thus, Exchanges/Depository/Regulators have entrusted on us the first level of the responsibility to ensure that neither us nor our client(s) are misusing the trading or depository system by indulging in manipulation or any other illegal activities which can cause risk to the integrity of the market and distorts the equilibrium of the market.

C. Scope:

CDSL vide its Communiqué CDSL/OPS/DP/SYSTM/2021/309 date 15th July 2021 has laid down guidelines pertaining to surveillance obligation of Depository Participant (DP), to facilitate effective surveillance of activities in demat accounts of its clients. In the said communiqué, CDSL had also stated that DPs shall frame a Surveillance Policy based on nature of DP business, type of accounts, number of demat accounts, transactions done etc.

The Policy has been framed in pursuance of CDSL communiqué on Surveillance Obligations of Depository Participant and applies to those transactions undertaken by BOs in their demat accounts for which alert have been provided by CDSL and also to those transactions for which alerts are generated internally by us, according to parameters set within software which shall be in conformity with at least the minimum standards prescribed by the depository in the above mentioned circular.

D. Broad Parameters for generation of Alerts:

As a part of DP Surveillance measures, CDSL provides transactional alerts on a fortnightly basis on certain thresholds as decided by CDSL from time to time. In addition to this, we have in-house surveillance software for generating alerts. The details of both these have been enumerated below:

1. Transfer of securities from Different Account to one account.
2. Transfer of securities from one account to different account.
3. Particular ISIN from one account to various different accounts.
4. Particular ISIN from various different accounts to one account.
5. High number of transaction between two accounts.
6. Share received by off market and pay in within 5 days.
7. Account opened during period having same address.
8. Off market credit value greater than income range.
9. Alert for multiple Demat accounts opened with same demographic details like - PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
10. BO's whose emails sent on registered email id are bounced back.
11. Frequent changes in details of demat account including multiple demographic changes at the same time.
12. Frequent Off-Market transfers by a client within 7 days.
13. Off-market transfers not commensurate with the income/Networth of the client.
14. Pledge transactions not commensurate with the income/Networth of the client.
15. Off-market transfers (High Value) immediately after modification of details in demat account.
16. Review of reasons of off-market transfers provided by client for off-market transfers which is evaluated at the time of approval of DIS for execution to avoid missing of any information or document which is required for genuine transaction.
17. 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.
18. Off market Transaction of ASM/GSM Scripts (as identified by stock exchanges).

E. Time frame for investigation and closure of Alerts –

- i) DP Shall register all alerts generated.
- ii) With respect to the transactional alerts provided by CDSL, DP shall ensure that all alerts are reviewed, and status thereof (Verified & Closed / Verified & Reported to CDSL) including action taken is updated within 30 days.
- iii) With respect to the alerts generated at DP's end, DP shall report instances with adverse observation, along with details of action taken, to CDSL within 7 days of the date of identification of adverse observation.
- iv) In case of any delay in disposing off any alerts, reasons for the same shall be recorded.

F. Analysis of Alerts and Due Diligence measures –

DP shall exercise due diligence while analyzing transactional alerts –

- i) Verify Income Range / Net worth declared by the BO as against transactions done or holdings in the account.
- ii) Verification of Ultimate Individual Beneficial owners in case of Non-Individual BOs.
- iii) Verification of source & destination of off-market debits & credits in BO's account.
- iv) Verification of family, background etc. where same demographic details, Mail ID, Mobile numbers is used in multiple accounts.
- v) Verification of addresses in case of documents returned undelivered.
- vi) Review of reasons given for off-market debits.
- vii) Wherever required additional relevant documents shall be requested from BO client for analyzing alerts.
- viii) Scrutiny of explanations and documents furnished by BO against alerts received on their transactions.

In case of any BO for whom alerts have been triggered multiple times –

- a) Client Due diligence shall be carried out on an on-going basis.
- b) KYC parameters of BOs shall be updated on a periodic basis and latest information shall be updated in the CDAS.
- c) BOs shall be advised to update their Annual Income &/or Net-worth as and when necessary especially where BO's transactions/holdings do not commensurate with existing Annual Income &/or Net-worth.

G. Process of Disposal of Alerts and Action –

- i) The designated official who is tasked to review the alerts on daily basis shall review the same.
- ii) If the designated official finds after review and due diligence that the alert is required to be closed, the official shall close the same with appropriate remarks.
- iii) If the designated official after due diligence and making such inquiry comes to a conclusion that the alert warrants an action, the official will forward the same with his/her views to the Principal Officer / Compliance Officer / Designated Director for his/her approval.
- iv) The Principal Officer / Compliance Officer / Designated Director, after review of the alerts along with the submitted comments of the designated official, decides to close the alert, he shall close it with appropriate remarks.
- v) If the Principal Officer / Compliance Officer / Designated Director find that action in respect of such alert is warranted, he shall take such actions including filing STR with FIU-India, informing to Stock Exchanges and CDSL and/or discontinue the relationship with the client.
- vi) The report of such instances along with adverse observations and details of actions taken shall be submitted to the Stock Exchanges/ CDSL within 7 days from date of identification of such instances. Such finding shall also be put up to the Board of Directors with fact and outcome and next recourse.

H. Reporting of Alerts & its disposition –

- i) Quarterly MIS shall be put forth to Board of Directors within 7 days from end of each quarter as under:
 - Number of alerts pending at the beginning of the quarter.
 - Number of alerts generated during the quarter.
 - Number of alerts processed & closed during the quarter.
 - Number of alerts pending at end of the quarter with reasons for pendency & action plan for closure.
 - Any exceptions noticed during disposal of the alerts.
- ii) Board shall be apprised of any exception noticed during the disposal of alerts.
- iii) Duly approved status of the alerts on a quarterly basis shall be provided to CDSL as per their given format within 15 days from end of the quarter. In case there is nothing to report, then a NIL report shall have to be submitted to the depositories.

I. Obligations of Compliance Officer/Principal Officer/Designated Director & Internal Auditors-

- i) DP Surveillance activity shall be conducted under overall supervision of Compliance Officer / Principal Officer/ Designated Director.
- ii) Internal Auditor of DP shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the Audit period. The Auditor shall record the observations with respect to the same in their report.
- iii) Internal Auditor shall verify that Quarterly MIS is prepared and placed before the Board of Director.

J. Review of Policy –

The Surveillance policy shall be reviewed on periodic basis and at least once a year by the Compliance Officer to ensure that the same is updated in line with market trends, updated regulations and practices.

<u>POLICY REVIEW DETAILS</u>	
Policy Reviewed On :-	31/07/2025
Policy Reviewed By :-	Mr. Karunesh Kumar Verma
Policy Prepared By :-	Ms. Krutika Pednekar