

POLICY ON SURVEILLANCE OF TRANSACTION ALERTS

Background-

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations and regulatory guidelines. It conducts monitoring of daily transactions of its clients through the automated software application and wherever necessary collecting additional documents and relevant materials from the clients to analyses and take appropriate decision/action so as to identify any manipulation, price distortion, and other market abuses.

In order to facilitate effective surveillance mechanisms, we follow a very well defined and structured surveillance policy. The policy is applicable to transactions (without any threshold limits) done by various categories of clients i.e. Corporate Clients, and High Net individuals & Retail Investors. After the recent updates on surveillance mechanism as introduced by Exchanges and Depositories, it has become imperative to document these policies, guidelines and functional responsibilities at one place as required to be compliant within the system. This document shall constitute the documented Surveillance Policy as required under NSE bearing reference no. NSE/SURV/48818 dated 01-07-2021, National Securities Depository Limited National (NSDL) Circular No.: NSDL/POLICY/2021/0072 Date: July 15, 2021 and Central Depository Services Limited (CDSL) & CDSL/OPS/DP/SYSTEM/2021/309 July 15, 2021.

In order to keep the surveillance policies in sync with the market standards and regulatory guidelines, the policy is reviewed periodically by Operations Committee (constituted by CEO, Compliance head and Ops Head) and necessary revisions are initiated from time to time depending up on the market volatility.

The intent behind formulation of the policy is to integrate a mechanism that will generate automated alerts whenever transactions are in variance with the various surveillance parameters set and appears to be suspicious in their client's accounts. The alerts will be generated in case of unusual changes in the transaction pattern of the clients, sudden activity in dormant account or any suspicious or manipulative activity identified in a client's account.

In view of the above, the Company endeavours to frame this policy for effective surveillance of these alerts and the manner of disposal of the same. This Surveillance policy is monitored under Compliance officer by the Surveillance Team and is in addition to the PMLA policy and alert Mechanism implemented by the Company for its various business activities as a Reporting Entity and monitored by the Principal Officer & Designated Director appointed for the purpose.

Objectives-

The said surveillance and disposal of the alerts shall be done on the following grounds:

1. Receipt of Alerts from Exchanges / generated at Company's end.
2. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.
3. Suspicious / Manipulative activity identification and reporting process.
4. Framework of appropriate actions that can be taken by Company's end. The Company may temporarily suspend the activity of the suspect client for certain alerts generated for which the clients are required to submit appropriate justification/clarification/supporting documents etc., However, due care is taken that the clients are not tipped off on the ongoing investigation and related actions that may be taken by the Surveillance Team.
5. Record Maintenance

In this regard, in order to facilitate effective surveillance mechanisms, the Exchanges and Depositories have derived following transactional alerts that would be downloaded to the Trading Members/Depository Participants. This will facilitate the Company to effectively monitor the trading activity of its clients.

Exchange Alerts:

Sl No	Transaction Alerts	Segment
1.	Significantly 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(s) / Group of Client(s) Concentration in a scrip	Cash
7.	Circular Trading	Cash
8.	Pump and Dump	Cash Derivatives
9.	Reversal of Trades	Cash
10.	Front Running	Cash
11.	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
12.	Order book spoofing i.e. large orders away from market	Cash

Depository Alerts:

Sl No.	Indicative themes:
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/Net worth of the client.
6.	Pledge transactions not commensurate with the income/Net worth 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.

IN-HOUSE ALERTS:

1. Client(s) Information:

- A. The Company is required to carry out the Client Due Diligence (CDD) on a continuous basis.
- B. The Company shall ensure that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange and BO demographic details in the Depository system

C. Based on KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

2. Time frame for disposition of alerts:

The monitoring of the aforementioned alerts and disposal procedure shall be done within 30/45 days of the alert generation as prescribed by Depositories/Exchanges.

3. Suspicious / Manipulative activity identification and reporting process:

A. Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account are required to be identified and should be reported accordingly.

B. In view of the above, the Company shall download the aforementioned alerts given by Exchanges/Depositories in addition to the existing internal monitoring of the transactions implemented under the Surveillance mechanism and PMLA policy obligations.

C. Upon receipt of alerts, the same are to be forwarded to the concerned dealer/RM of the client(s) seeking an explanation/clarification from the client(s) reason behind carrying out such trade(s) in their accounts.

D. In addition to above, the Company also seeks documentary evidence from clients such as bank statement / updated financial statement.

i. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought.

ii. In case of securities, demat account statements of the Client(s)/ Group of Client(s) from which securities pay-in has been met, to be sought. The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

E. After analysing the documentary evidences, the Company should record its observations for such identified transactions or Client(s)/Group of Client(s).

F. With respect of the transactional alerts downloaded by the Exchange/Depository, Company will ensure that all the alerts are analysed and status thereof (verified & close/ verified & sent for escalated action to Exchange/Depository/Principal Officer for PMLA obligation as they deem fit). Including action taken is updated within 45/30 days in the Member /Participant Surveillance Dashboard.

G. In case adverse observations are recorded then Company shall report all such instances to the Exchange within 45 days & Depositories within 30 days of the alert generation. Further, appropriate action under the PMLA obligation is taken care by the Principal Officer under PMLA policy/obligation.

H. The Company may seek extension of the time period from the Exchange & depositories, wherever required.

4. Generation of Additional Surveillance Alerts:

To generate appropriate surveillance alerts, to enable effectively monitor the trading activity, Company will formulate and analyse the alerts on the basis of these themes-

A. Client/group of clients, as identified by the trading member, 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 the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract as compared to the market.
- C. Clients/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 changes in KYC submitted by clients.
- F. Based on the announcement by a listed company, identify clients/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 said listed company.
- G. Client/group of clients having sufficient selling concentration in the scrips, forming part of "Current Watch List"
- H. Consistency in profit or loss in clients/group of clients' level, rationale for such trading activities.
- I. Significant trading activities in scrips by clients who has pledged the shares of same scrips.
- 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 clients' address as per KYC vis a vis the dealing office address.
- K. Significant trading activity in scrips where clients has pledged shares or has significant holding or has frequent off-market transactions.
- L. Surveillance/monitoring of IP addresses of clients.
- M. Identification of multiple client codes trading from the same location.

5. Record Maintenance

As per the company's Anti Money Laundering policy, the background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall be examined carefully & finding shall be recorded in writing. Documents & records should be made available to auditors & SEBI /Stock Exchanges / FIUIND etc. Records are preserved for 5 years from cessation of client relationships and for a period of 8 years for the Depository transactions including client related modification updates for the Depository BO accounts.

6. Obligation of Depository Participants to w.r.t. processing of Alerts:

The designated officials who are tasked to review the alerts on daily basis shall review the same. 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. If the designated official after due diligence and making such inquiry as such official finds necessary comes to a conclusion that the alert warrants an action, the official will forward the same with his/her views to the Compliance Officer for further analysis and review and appropriate action. The Compliance Officer, after review of the alerts along with the analysed comments /documents of the designated official, decides to close the alert, he/she shall close it with appropriate remarks. If the Compliance Officer finds that action in respect of such alert is warranted, he/she shall take such actions including informing to Stock Exchanges and NSDL/CDSL and also referring to Principal Officer to examine appropriate action under PMLA policy for filing STR with FIU-India. The reports of such instances along with adverse observations and details of actions taken shall be submitted to the

NSDL/CDSL within 7 day from date of identification of such instances. The records of alerts generated, disposed of as closed and details of action taken wherever applicable shall be maintained with such security measures as would make such records temper proof and the accesses available on to designated officials under the supervision of the Compliance Officer.

7. Role of Compliance Officer & Designated Directors in maintenance of MIS

A quarterly MIS shall be placed before the Board on the number of alerts generated during the quarter, disposed off during the quarter and pending at the end of the quarter.

Reasons for pendency shall be discussed and appropriate action shall be taken. Also, the Board shall be apprised of any exception noticed during the quarter.

The Compliance Officer shall supervise the overall process of surveillance and reporting and shall be responsible for the record maintenance and reporting of such activities.

Designated Directors and Compliance Officer would be responsible for all surveillance activities carried out by the Company.

This Surveillance Policy is subject to the review of the Internal Auditor of the Company, who shall verify its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor may record the observations with respect to the same in their report.

8. Reporting of Status of the Alerts:

I) Reporting to Exchanges:

The Company will duly provide the approved status of the alerts on a quarterly basis to the Exchange within 15 days from the end of the quarter in the following format-

A. Status of Alerts generated by the Trading Member

Name of the Alert	No. of alerts under process at the beginning of the quarter	No. of new alerts generated in the quarter	No. of Alerts verified & closed in the quarter	No. of Alerts referred to Exchange	No. of alerts pending/under process at the end of quarter

B. Details of alerts referred to the Exchange

Sl No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:

Sl. No.	Brief action taken during the quarter

The Company will submit “NIL” report to the Exchange on the Member Surveillance Dashboard within 15 days from the end of quarter if it has nothing to report.

II) Reporting to Depositories:

The Company will duly provide the approved status of the alerts on a quarterly basis to the Depositories within 15 days from the end of the quarter in the following format-

A. Status of Alerts generated by the Depository:

Name of Alert	No. of alerts pending at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & closed in the quarter	No. of alerts reported to Depository	No. of alerts pending for process at the end of quarter
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B. Details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter:

Sl. No.	Brief action taken during the quarter
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The Company will submit “NIL” report to the depositories electronically within 15 days from the end of quarter if it has nothing to report.

The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, Company will exercise their independent judgment and take adequate precaution. Further the clauses of this policy are subjected to change with the periodic updation in the Company.

NOTE: This Surveillance Policy is placed before the Board of Directors Meeting held on 10-11-2023 and approved by them. Any revisions to this policy need to be updated to Board from time to time.