

### **Surveillance Policy for operations as Depository Participant:-**

Depositories are providing transactional alerts on biweekly basis based on threshold defined by NSDL/ CDSL to the all the DPs report download utility. As per applicable Circular, the company is reviewing these alerts and taking appropriate actions after carrying out due diligence viz. either disposing off alerts with appropriate reasons/findings recorded or filing Suspicious Transaction Report (STR) with FIU-India in accordance with provisions of PMLA (Maintenance of records) Rules,2005.

In addition to the same, company has identified various Surveillance parameters in respect of its operations as Depository Participant to generate alerts as per guidance provided in NSDL / CDSL Circulars based on following criteria:

- a. Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details/ address. While reviewing BO account details, the details of existing BO shall also be considered.
- b. Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
- c. BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, bank details, POA holder, Authorized Signatory etc. at least twice in a month for a particular detail.
- d. Frequent off-market transfer of securities more than twice in a month without genuine reasons.
- e. Off-market transactions not commensurate with the income/net worth of the BO.
- f. Pledge transactions not commensurate with the income/net worth of the BO.
- g. High value off-market transfer immediately after modification of either email ID/mobile number/ address without genuine reason.
- h. Review of reasons for off-market transfer provided by the BO which appears non-genuine based on either profile of the BO or on account of reason codes, including frequent off-market transfer with reason code gift/donation to unrelated parties and/or with reason code offmarket sales.
- i. Sudden increase in transaction activity in a newly opened account in a short span of time .An account in which securities balance suddenly reduces to zero and an active account with regular transaction suddenly becomes dormant.

## **PROCESSING AND REVIEW AND DISPOSAL OF ALERTS:-**

The surveillance process shall be conducted under overall supervision of its Compliance Officer and the designated official as appointed will be tasked with the review, processing and disposal of alerts and report the status to the compliance officer at regular interval

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 given alert warrants an action, the official will forward the same with his/her views to the Designated Director/Compliance Officer for his/her approval.

In order to review, analyze and dispose off the alerts, the designated official may:-

- a. Seek explanation / information from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/ email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to source of funds and securities, economic sense and trading pattern.
- b. Seek documentary evidence such as Bank Statement / Demat Transaction Statement, Financial Statements or any other documents to support the trading pattern of the client. After analyzing the documentary evidences, including the Bank / Demat statement, the observations shall be recorded for such identified transactions or Client(s) / Group of Client(s).

If the designated official finds that action in respect of such alert is warranted, he/she shall take such actions including filing STR with FIU-India, informing to Stock Exchanges and Depository and/or discontinue the relationship with the client.

In case of adverse observations, the report of such instances along with adverse observations and details of actions taken shall be submitted to the Stock Exchanges/ Depository within 7 days from date of identification of such instances.

In case the client does not cooperate or does not revert within reasonable period, Exchange to be informed based on the information available with the member.

All efforts shall be made to dispose off a given alert within 45 days of its receipt / generation. 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 access is available on to designated officials under the supervision of the Compliance Officer.

## **MONITORING AND RECORD MAINTENANCE**

The surveillance process shall be conducted under overall supervision of its Compliance officer and based on facts and circumstances, he / she is required to take adequate precaution.

A quarterly MIS shall be put up by the Compliance Officer to the board and the Designated Director giving number of alerts generated during the quarter, number of alerts closed, number of alerts on which action taken with details of action taken and number of alerts pending at the end of the quarter along with reasons for pendency and action plan for closure. The Board as well as the Designated Director shall be appraised of any exception noticed during the disposal of the alerts

Reasons for pendency shall be discussed and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

Internal auditor shall review this policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

## **REPORTING OF ALERTS**

The Company shall provide duly approved status of the Alerts on a Quarterly basis to the exchange in the format prescribed by the exchange within 15 days from the end of the quarter. In case zero alert during the quarter, NIL report need to be submit to the exchange as per the prescribed format.

## **REVIEW POLICY**

This policy will be reviewed by the Designated Director, as and when there are any changes introduced by any statutory authority or atleast once in a year to ensure that same is updated and inline with market trends, updated regulations and practices.