

SURVEILLANCE OBLIGATION POLICY

Objective:

The objective of this policy is to strengthen the Surveillance framework for the Depository Services and effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets, the goal of surveillance policy 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.

We have put in place a surveillance framework, which shall cover the following:

Governance

1. The policy documents approved by our Board and stipulated to review this policy document at least annually with the view to strengthen and improve this surveillance obligation policy.

Obligation to frame the Surveillance Policy and generate Surveillance Alerts

We have framed a surveillance policy based on the nature of our depository business, type of clients, number of demat accounts, number of transactions etc. and cover the following:

1. Generate the surveillance alerts as guided by the below indicative themes:
 - a. 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 us.
 - b. Alert for communication (emails/letter) sent to registered Email id/address of clients are getting bounced. Frequent changes in the details

of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.

- c. Frequent Off-Market transfers by a client in a specified period.
 - d. Off-market transfers not commensurate with the income/ Networth of the client.
 - e. Pledge transactions not commensurate with the income/ Networth of the client.
 - f. Off-market transfers (High Value) immediately after the modification of details in demat account.
 - g. 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.
 - h. Alert for newly opened accounts wherein sudden Increase in transaction activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
 - i. Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.
 - j. Also generate the alerts through analyzing the pattern and trends with respect to any other theme.
 - k. Generate alerts for 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.
2. Review and disposal of transaction alerts within 30 days from the date of alerts generated by the Depository / Alerts generated by our end.
 3. Reporting to the Depository and other authorities as applicable in case of any abnormal activity.
 4. In case of any delay with regard to the disposal of any alert, then suitable

Documentation of reasons for the delay should be maintained.

5. Framework of appropriate actions as per obligations under the Prevention of Money Laundering Act (PMLA).
6. Record maintenance for the period as stipulated under applicable statutes.

Obligation regarding client due diligence

1. Need to carry out client due diligence on an on-going basis.
2. Update the key KYC parameters of the clients in the Depository System on a periodic basis as prescribed by the SEBI / latest information of the client.

Obligation w.r.t. processing of alerts

1. Maintain a register (Electronic / Physical) for recording of all alerts generated.
2. Obtain transactions rationally, while reviewing alerts. Also, verify the demat account statement and obtain supporting documents as required from the client.
3. After verifying the documentary evidences, need to record its observations for such identified transactions of its Client.
4. With respect to the transaction alerts to be provided by the Depository, need to review and provide status thereof w.r.t. such alerts (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the designated depository portal.
5. 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 the respective Depository within 7 days of the date of identification of adverse observation.

Obligation of Compliance officer and Internal / Concurrent Auditor

1. The surveillance activities shall be conducted under overall supervision of our Compliance Officer.
2. A quarterly MIS shall be put up to the Board 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 Board shall be apprised of any exception noticed during the disposal of alerts.

3. 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. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.
4. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.

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

1. Provide duly approved status of the alerts on a quarterly basis, in the format prescribed by the respective Depository within 15 days from the end of the quarter.

Penalty in case of Non-fulfillment of Surveillance Obligation

1. The Depository 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

1. 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.
2. Any non-compliance with respect to surveillance obligations which may, inter alia include delay in processing of alerts generated at our end / provided by Depository and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Business Rules and Bye-laws of Depositories.
3. It may further be noted that aforesaid measure does not preclude SEBI / Depository to take any further action(s), if the facts and circumstances so demand.

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