

SURVEILLANCE POLICY

BACKGROUND

Exchange(s) / Depository(es) vide their circulars Circular No. NSE/SURV/48818 dated July 01, 2021 & BSE Notice No 20210107-30 dated 01.07.2021 and NSDL Circular No. NSDL/POLICY/2021/0072 dated 15.07.2021 have mandated the need of on-going framework for surveillance obligation of trading members / depository participants and has identified enhancements to make the said earlier framework more effective.

The company has laid down policy guidelines which have been framed in the light of above said circulars, we are adopting and implementing this surveillance policy applicable to both Stock Broking and Depository Participant's Operations of the company w.e.f. 01.08.2021.

The policy has been approved by its Board of Directors in Board Meeting held at the Registered Office of the company on 19.07.2021

What is Surveillance?

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. In order to ensure investor protection and to safeguard the integrity of the markets, it is imperative to have in place an effective market surveillance mechanism. The main objective of the surveillance function is to help maintain a fair and effective market for securities.

Therefore, we have decided to undertake adequate measures for ensuring effectiveness and efficiency of the trading and depository system. The Company with the above motive in mind has framed Surveillance policy focusing on:

- i. To establish a surveillance mechanisms and controls in the operations /trading activity
- ii. To put in place appropriate controls for the detection and reporting of suspicious trading activities in accordance with applicable laws/laid down procedures.
- iii. To comply with applicable laws and regulatory guidelines.

1. Surveillance Policy for Stock Broking Operations:-

- i. The Stock Exchange(s) are providing alerts based on predefined criteria to the all the stock brokers through their portals. As per applicable Circulars, 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.

TYPE of TRANSACTIONAL ALERTS DOWNLOADED BY THE EXCHANGE

Sr. No.	Transactional 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/ Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash

9	Reversal of Trades	Cash & Derivatives
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

- ii. In addition to above, the company has also implemented the mechanism to generate alerts as per guidance provided in exchange circulars based on following criteria:-
- a. Trading activity in a single day by one client or group of clients who have contributed more than 25% in a single scrip or a single derivative contract.
 - b. A client or a group of clients who are either new client/ clients or who have reactivated their trading account after significant time gap and who have contributed more than 50% of the total trading volume of a single scrip or derivative contract in a single day.
 - c. Client or a group of clients dealing frequently in small quantities in a scrip.
 - d. Trading activity of a client found to be disproportionate considering a reported income range details or network.
 - e. A client who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, bank details etc. at least twice in a month.
 - f. A client or a group of clients who have been found to have direct or indirect connection with a listed company and who have executed any transactions prior to any dissemination of any price sensitive information by such listed company.
 - g. A client or group of clients having more than 20% volume of any scrip listed in for 'information list' or 'current watch list'.
 - h. A client or group of clients which persistently earn or incur high amount of loss through their trading activities or clients who appear to have executed trades with the objective of transfer of profits or losses.
 - i. A client who is holding more than 5% of paid up capital of a listed company and has pledged 100% of his/her/it's such holding for margin purpose and who has also significant trading volume in the same scrip which he/she/it holds.
 - j. In case of a client or a group of clients who have been identified as per any of the above criteria and whose orders are placed through a dealing office which is far from such client's address as per his/her/its KYC.
 - k. A client having demat account with the company and who has holding in a scrip of more than 5% of paid up capital of a listed company which has received the same shares though off-market transfer.
 - l. A client who has received shares of a listed company through multiple off- market transfer and has pledged such shares.
 - m. Identification of IP addresses of clients to identify multiple client codes Page 3 of 8 trading from same IP address.
 - n. Clients who are connected with each other as per key KYC parameters of the clients as updated by respective client.

2. 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, Authorised Signatory etc. at least twice in a month.
- 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/networth of the BO.
- f. Pledge transactions not commensurate with the income/networth 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 off-market 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.

3. PROCESSING AND REVIEW AND DISPOSAL OF ALERTS:-

The surveillance process shall be conducted under overall supervision of its Compliance Officer and he / she shall be the designated official tasked with the review, processing and disposal of alerts.

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 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.

4. 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.

5. 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.

6. 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.

For Ashlar Securities Pvt Ltd

Compliance Officer
