

SURVEILLANCE POLICY FOR BROKING & DP OPERATIONS

Sr. No.	Version	Policy made On:	Policy approved On:	Policy Created by:	Policy Reviewed by:
1.	V1.3	12/01/2024	13/01/2024	Compliance Officer	Compliance Head

Objective:

The objective of this policy is to have in place an effective 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 practices. This monitoring is required to analyse the transactions of the clients in order to observe whether any transaction (receipt / withdrawal) is being done in a manner which will have an abnormal effect on the Securities Market.

Following circulars have been complied with :

Sr. No.	Circular Reference	Date of Circular
1.	NSE/SURV/48818 with reference no. 452/2021	July 01, 2021
2.	BSE Notice No. 20210701-30	July 01, 2021
3.	CDSL/OPS/DP/SYSTM/2021/309	July 15, 2021
4.	SEBI/HO/MRD2/DDAP/CIR/P/2020/153	August 18, 2020

M/s ARJ Securities Pvt. Ltd. has made this Surveillance Policy for enhancing the controls and for generation and resolution of alerts on the various transactions. The policy has been approved by the Board of Directors. The Compliance Office will be responsible for its proper implementation, review on periodical basis and make further changes as may be required to keep it in line with the market trends. This policy is made to facilitate effective surveillance mechanisms at **M/s ARJ Securities Pvt. Ltd.**

The alerts received from the depository and Exchanges will be analysed and will seek client information and documentary evidence as may be required for closing the alert. The surveillance policy shall be reviewed once in a year so as to incorporate the changes as may be required for keeping the policy updated and in line with the market trends.

A. Following are the transactional alerts covered in surveillance:

N	Transactional Alerts
1	Multiple demat accounts opened with the same demographic details like same PAN/ mobile number/ email ID/ bank account number/ address considering the existing demat accounts held

N	Transactional Alerts
2	Communication (emails/ letters) at registered email ID / address of client getting bounced / returned.
3	Frequent changes in demat account details such as address, email ID, mobile number, authorised signatory POA holder, etc.
4	Frequent off market transfers by the client during a specified period
5	Off-market transactions 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	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	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.
1	Any other type of market manipulation activity carried out

The above transactional alerts list can be modified to add any other type of alerts as and when required.

DP shall analyze and review the alerts generated based on the facts and verification of relevant documents including income/ net worth as provided by the BO and exercise their independent judgement and take appropriate action in order to detect any abnormal or suspicious transactions

Graded Market Surveillance scrip (GSM) (equity segment)

NSE vide its circular NSE/SURV/34262 dated February 23, 2017 and BSE vide its circular 20170223-44 dated February 23 2017 introduced Graded Market Surveillance (GSM) as introduced by equity exchanges, is on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net-worth, P/E multiple, etc.

In addition to existing Surveillance action being imposed from time to time, securities shall be monitored for price movement by equity exchanges and based on pre-determined objective criteria shall attract following additional graded surveillance measures:

Stage	Surveillance Actions
I	Transfer to trade for trade with price band of 5 % or lower as applicable.
II	Trade for trade with price band of 5 % or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)
V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)
VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)

In view of the above we have incorporated in our software about records of the trading done in such scrips

1. The records so generated are compared vis a vis exchange volumes, repeated days of trading, price volatility in the scrip.
2. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
3. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also be blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirit and accordingly deemed to be part of this policy.

Additional Surveillance Measure (ASM) (equity segment)

NSE vide its circular SE/SURV/37262 dated March 22 2018 and BSE vide its circular 20180321-46 dated March 21 2018 had informed that Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have implemented that along with other measures there shall be Additional Surveillance Measures (ASM) on securities with surveillance concerns viz. Price variation, Volatility etc.

Accordingly, exchanges would review identification of securities for placing in ASM Framework has been carried out. In addition to this, exchanges have issued other circulars from time to time reviewing the parameters for the ASM framework and accordingly updating the scrips in the said framework

In view of the above we have incorporated in our in-house software about records of the trading done in such scrips

1. The records so generated are compared visa vis. exchange volumes, repeated days of trading, price volatility in the scrip.
2. Additionally the financials of the company are also analyzed to ascertain whether the trading volumes and price movements are justified.
3. In case any trading is found to be abnormal, initial alerts are sent to the branches. If repeated, after proper verification and analysis the scrip may also be blocked from further trading.

In case of any further regulatory developments, the same would be implemented in spirit and accordingly deemed to be part of this policy.

Client(s) Information:

To carry out the Due Diligence of the client(s) on continuous basis. Further, to ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the active client is updated in Depository & Exchange system. Addition/ Modification of any parameters (correspondence address, contact details, email id, bank details, etc.) relating to client should also be updated immediately in the database of depository & Exchange and the same shall be updated in back office also, to establish groups/ association amongst clients to identify multiple accounts/ common account/ group of clients.

Analysis:

To analyse the trading activity of the Client(s) / Group of Client(s) or scripts identified based on above alerts:

- a) Seek explanation from such identified Client(s)/ Group of Client(s) for entering into such transactions.
- b) (1) Seek documentary evidence such as bank statement/ demat transaction statement / gift deed / debit note / credit note or any other documents to determine the Genuity of the transaction. Demat account statements of the Client(s)/ Group of Client(s) from which securities pay-in / transfer has been met, to be sought, if required. (2) The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- c) After analysing the documentary evidences, the DP shall record its observations for such identified transactions or Client(s)/ Group of Client(s). In case adverse observation is recorded, the DP shall report all such instances to the Depository/ Exchange within 45 days of the alert generation. The DP may seek extension of the time period from the Depository/Exchange , wherever required.

Monitoring and Reporting:

Following is the procedures to be adopted in case of any alert being received either from depositories, exchanges or alert being generated at our end:

- a. To review the alerts based on
 - a) Type of alert downloaded from the Depositories/Exchange
 - b) Financial details of the client
 - c) Past Trading pattern of the clients/ client group
 - d) Demat transaction details (The period for such statements may be at least +/- 15 days from the date of transactions)
 - e) Other connected clients in DPs records (common email/ mobile number/ address, other linkages, etc.)
 - f) Other publicly available information.

If any concern is seen post inquiry/ receipt of explanation from client, we have to forward the alerts to the Depositories /Exchanges with client comments and any documents deemed relevant.

- b. Within 45 days of the alert generation. The extension of the time period can be sought from Depositories /Exchanges in case wherever additional time is required the reason for the same shall be documented.
- c. A Register for recording the alerts has to be maintained which shall record the following: Time frame for disposition of alerts, the findings, in case if any delay is found in disposition then the reason for the delay should also be noted, etc.
- d. A quarterly MIS shall be put to the Board of Directors, updating on the alerts pending at the beginning of the quarter, 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 taken. Also, the Board of Directors shall be apprised of any exception noticed during disposition of alerts.

The surveillance process shall be conducted under overall supervision of the Compliance Officer/ Designated Director and record maintenance and reporting of such activities

Internal auditor shall review the surveillance 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.

In addition to the same, pursuant to this Surveillance Policy for Stock Broking operations generate alerts as per guidance provided in CDSL communiqué no. CDSL/OPS/DP/SYSTM/2021/309 dated 15.07.2021 based on the following criteria:

- 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.
- Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
- A BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, and bank details, POA holder, Authorised signatory etc. Twice in a month.
- Frequent off-market transfers of securities more than twice in a month without any genuine reasons.
- Off-market transactions not commensurate with the income/net worth of the BO.
- Pledge transactions not commensurate with the income/net worth of the BO.
- High value off-market transfer immediately after modification of either email.
- ID/mobile number/address without genuine reason.
- Review of reasons for off-market transfer provided by the BO (Beneficial Owner) which appears non Genuine based on either the profile of the BO or on account of reasons of codes, including frequent off-market transfers with there as on code gift/donation to unrelated parties and/or with reason code off-market sales.
- 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.

Other obligations:

- Maintain register (electronic/physical) for recording of all alerts generated.
- While reviewing alerts, DP shall obtain transaction rationale, verify demat statement and also obtain supporting documents as required from the client
- After verifying the documentary evidences, record observations for such identified transactions of its Client.
- With respect to the transactional alerts provided by Depository/Exchanges, DP shall ensure that all alerts are reviewed, and status thereof (Verified & Closed / Verified & Reported to Depository) including action taken is updated within 30 days.
- With respect to the alerts generated at the DP/Exchanges end, report instances with adverse observation, along with details of action taken, to CDSL/Exchanges within 7 days of the date of identification of adverse observation.

Record Maintenance:

M/s ARJ Securities Pvt. Ltd. shall maintain records for such period as is prescribed under PMLA (Maintenance of Records) Rules, 2005, and Securities Contracts (Regulation) Rules, 1957, SEBI (Depository and Participants) Regulations, 1996, DP Operating Instructions and any other directions as may be issued by SEBI/ Stock Exchanges for a minimum period of 8 (Eight) years.

Quarterly reporting of status of the alerts generated by DPs./Exchange

M/s ARJ Securities Pvt. Ltd. is required to provide duly approved status of the alerts on a quarterly basis, in the following format to CDSL & Exchange within 15 days from end of the quarter even in case of Nil report:

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/Exchanges	No. of alerts pending process at the end of quarter
-	-	-	-	-	-
-	-	-	-	-	-

Details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter:

Sr.no.	Brief Action taken during the quarter

--XXXX--