

# **SURVEILLANCE POLICY**

Of

**CHURIWALA SECURITIES PVT LTD.**

FOR DEPOSITORY CLIENTS

**INTRODUCTION:**

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair, abnormal or suspicious transactions that may violate securities related laws, rules and regulations, as amended time to time. It is a framework to generate surveillance alerts based on the various parameters put by the entity. In order to achieve this and to create safer markets, the Depository Participant shall have in place adequate surveillance policies and systems in order to monitor suspicious/manipulative transactions to curb such activities, if any from time to time.

**SCOPE:**

This Surveillance Policy is based upon the requirements of the Depositories and Stock Exchanges on Transactional Surveillance Alerts generated by Exchange & Internal Surveillance system for identifying suspicious trades, analysis of these alerts and methodology of reporting the alerts.

**COMMENCEMENT:**

This policy shall come into effect from \_\_\_\_\_, 2021.

**SURVEILLANCE ALERTSPARAMETERS:**

The below surveillance alerts are based on depository, internal system and observation based:

1. Type of clients
2. Number of demat accounts
3. Number of transactions
4. Nature of transactions
5. Order against the investor / banned entity / PEP
6. Reconciliation

Sr. No.		Transactional Alerts on basis of threshold limits
1		<b>Type of clients</b>
	a.	Categorisation
	b.	Risk Profile
2		<b>Number of demat accounts</b>
	a.	When more than 20 accounts are created group-wise / family
3		<b>Number of transactions</b>
	a.	For 15 days or for quarter period
	b.	Scrip-wise concentration on the basis of exchange volume and trades
4		<b>Nature of transactions</b>
	a.	Pledge
	b.	Demat
	c.	Off Market Transactions
	d.	Frequency
	e.	Threshold Limit of Rs 5 Lakhs/-
5		<b>Order against the investor / banned entity / PEP</b>
6		<b>Reconciliation</b>
	a.	Transaction Versus Income
	b.	Frequency of Off Market Transactions
7		<b>Scrutiny</b>

**SURVEILLANCE ALERTS GENERATED BY INTERNAL SYSTEM:**

Sr. No	Alert Type	Parameters	Action
1	Multiple demat accounts opened with same demographic details		
	a) With same PAN	A. Verify the purpose of opening the demat account whether its for: a. Joint holdings b. Planning or distribution of wealth c. Ease of operation d. Transfer or transmission e. Group company/ies settlement in capacity of promoter and director f. Related Parties (spouse, dependent children and parents, authorized signatories, trustee/director etc.)  B. If more than 15 to 20 accounts are opened – then check if any false identity or dubious identity or any other	No Action          Verify and reporting shall be done only on reasonable grounds
	b) With same Mobile number		
	c) With same Email-id		
	d) With same Bank Account No.		
	e) With same Address		
2	Newly opened accounts		
	a) sudden Increase in transactions activities in short span of time	Transactions of client categorized as high risk client carrying out high turnover > 10 Cr.	Verify and reporting shall be done only on reasonable grounds
	b) sudden holding in demat account becomes zero		
	c) Account becoming dormant		
3	Communication (emails/letter) sent on registered Email id/address of clients are getting bounced	A. First DIS book is returned (mainly online accounts) B. Bounce email data received from depositories	Verify and reporting shall be done only on reasonable grounds
4	Frequent changes in details of demat account	Monitoring clients dealing in leveraged trading and high risk client's mainly change request happening more than 5 times in less than 3	Verify and reporting shall be done only

Sr. No	Alert Type	Parameters	Action
		months except missing details	on reasonable grounds
5	Frequent Off-Market transfers by a client in a specified period	a. Transfers in > 10 counter accounts and/or b. Transaction Value >10Cr	Verify and reporting shall be done only on reasonable grounds
6	Pledge transactions not commensurate with the income/Networth of the client	Pledge transactions above 1 CR except margin pledge	Verify and reporting shall be done only on reasonable grounds
7	Off-market High Value transfers immediately after modification of details in demat account	a. High value transactions preferably >20 lakhs b. Complex and unusually large transactions c. Unusual transaction pattern basis volume and value	Verify and reporting shall be done only on reasonable grounds
8	Review of reasons of off-market transfers provided by client versus profile of the client	Frequent transfers through medium of gifts/donations made to unrelated parties	Verify and reporting shall be done only on reasonable grounds
9	Change of status of clients (normal to PEP, NRI etc)	Change of status leads to monitoring of such clients for minimum six months	Verify and reporting shall be done only on reasonable grounds
10	Major complaints received from specific service centers/regions/locality/ a particular intermediary	Serious / Frequent Complaints	Verify and reporting shall be done only on reasonable grounds
11	Dormant Transactions	Depository alerts related to dormant account	Verify and reporting shall be done only on reasonable grounds

**ANALYZING & MONITORING ALERTS:**

Based on the above alert threshold/parameters from the Internal Surveillance system the Company shall analyse patterns and trends with respect to different alert themes. Based on the KYC information the Surveillance Team shall establish group/association amongst clients to identify multiple accounts/common account/ group of client. Based on the in depth analysis of the trading activity of the Client(s) / Group of Client(s) or scrips identified and if such alerts found false positive and are not adverse in than in such case Surveillance Team should dispose such alerts along with their remarks for the same. The alerts which are found to be suspicious and which the Surveillance Team is of the opinion that the same shall be reported to the exchange shall be highlighted by Surveillance Team.

The Surveillance process shall be conducted under overall supervision of the Compliance Officer. The Compliance Officer shall be responsible for all surveillance activities carried out and also for the record maintenance and reporting of such activities.

In case while analyzing such alerts if the Surveillance Team finds such activity/alerts of the Client(S)/ Group of Client(S) adverse than,

- a. Surveillance Team shall seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b. The necessary documentary evidence along with an explanation letter/documents is required to be collected from each client whose transactional alerts have been triggered and found suspicious by the Surveillance team.

After analyzing the documentary evidences, including the necessary statements, the Surveillance Team shall record their observations for such identified transactions or Client(s) /Group of Client(s).

**CLIENT DUE DILIGENCE:**

The following activities shall be carried out by the Company for the client due diligence:

- a. Due Diligence of the client(s) shall be done on an on-going basis
- b. The key KYC parameters shall be updated on periodic basis as prescribed by SEBI and the latest information of the client is updated in Depository.

**OBLIGATION:****I. W.R.T PROCESSING OF ALERTS**

- a. To maintain register (electronic/physical) for recording of all alerts generated.
- b. Obtain transaction rationale, verify demat account statement and also obtain supporting documents as required from the client.
- c. Maintain observations for such identified transactions or Client(s) /Group of Client(s).
- d. All alerts shall be reviewed by the Company and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken shall be updated within 30 days to the respective Depositories as per the format/mode specified by the respective depositories and as amended from time to time.
- e. For the Alerts generated by the Surveillance system the instances of adverse/suspicious observations shall be reported to the respective Depositories within 7 days of the date of identification of such adverse observation.

**II. QUARTERLY REPORTING OF THE STATUS ALERTS**

The Company to provide duly approved status of the alerts on a quarterly basis, in the following format to respective depositories within 15 days from end of the each quarter.

**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 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

'NIL Report' shall be submitted within 15 days from end of the quarter, when there is nothing to report.

**REPORTING:**

A quarterly MIS shall be produced before the Board by Surveillance Team, containing information on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action plan shall be taken for its closure. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.

**REVIEW:**

**By the Compliance Officer:**

Complete surveillance activities shall be conducted and reviewed under the supervision of the Compliance Officer.

**By the Auditor:**

- a. Auditor shall review the surveillance policy, its implementation, effectiveness and complete review of the alerts generated during the period of audit.
- b. Auditor shall record the observations with respect to the said audit in their report.
- c. Auditor shall verify that the quarterly MIS part of the reporting is prepared and placed before the Board.
- d. The Board may review the surveillance policy from time to time and amend the same as per the mandate of relevant Regulatory Authorities

**RECORD MAINTENANCE:**

The Company shall maintain and preserve the records for the period as stipulated under applicable statutes.

The policy shall be reviewed and amended from time to time to comply provisions of applicable Regulations issued thereon and Regulations /Circulars/Directions issued by Depositories and Stock Exchanges.