

POLICY

ON

SURVEILLANCE PROCESS

FOR

DP OPERATIONS

AND

STOCK EXCHANGE

Background:

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 achieve this and to create safer markets, **Progressive Share Brokers Pvt. Ltd.** would have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

Objective:

In order to facilitate an effective surveillance mechanism and to monitor the transactions in the CDSL Depository where the company is registered as a Depository participant and as Share Broker of the NSE and BSE, this Surveillance Policy is being formulated in compliance and/or as mandated by Securities and Exchange Board of India

Applicability

The policy is framed in accordance with the provisions of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2021/22 dated 01.03.2021, CDSL communique No. CDSL/OPS/DP/SYSTM/2021/309 dated July 15, 2021 and NSE Circular No. NSE/SURV/48818 dated July 01, 2021, BSE Circular 20210701-30 dated July 01, 2021

Obligation for Surveillance Alerts as Depository Participant:

CDSL is providing transactional alerts based on threshold defined by CDSL to all the Depository Participants including Progressive Share Brokers Pvt. Ltd through CDSL report download utility. As per the applicable Communiques, we are 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, PSBPL has framed its Surveillance Policy for Depository operations to generate alerts as per guidance based on following criteria:

Sr. No.	Indicative themes:
1	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 the DP.
2	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.



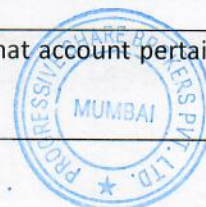
3	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4	Frequent Off-Market transfers by a client in a specified period
5	Off-market transfers not commensurate with the income/Net worth of the client.
6	Pledge transactions not commensurate with the income/Net worth of the client.
7	Off-market transfers (High Value) immediately after modification of details in demat Account
8	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
9	Alert for 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.
10	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients

The above-mentioned alerts are generated based on some threshold/parameters and are illustrative and not exhaustive. Further, we exercise an independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions.

Obligation to generate additional surveillance alerts

Below are the additional alerts (*In House Alerts*).

Sr. No.	Indicative themes:
1	Due diligence and BO verification of client before executing off Market transaction in BO's demat account of BO of certain age i.e. more than 75 years.
2	Alert for high value transaction more than Rs. 10,00,000/- (debit/credit) in BO's account which doesn't reflect in accordance to his/her income range/net worth provided by the BO.
3	Flagging client as High risk client where Owner of Demat account & management of Demat account are handled by different personnel i.e. Corporate, LLP/partnership firm.
4	Yearly evaluation client's Risk profile based on activity in its demat account pertaining debit-credit, off market transaction, modification, pledge etc.



5	Marking demat account under high risk category where such account is operated through POA holder.
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Obligation for Surveillance Alerts as per the Stock Exchange

Stock Exchanges have developed a system wherein certain alerts are displayed which needs to be downloaded by the Trading Members. Following are the alerts mandated by the stock exchanges to analyse patterns and trends with respect to different alerts

Sr. No	Transactional Alerts	Segment
1	Significant 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	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover Concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

In addition to above, monitoring of client Activity shall be conducted on the below mentioned themes.

Client or a Group of Clients

- Trading activity in a scrip
- Monitoring the orders to ensure that they are being placed by respective client or their authorized representatives
- Monitoring client's address as per KYC vis a vis the dealing office address

ANALYZING & MONITORING ALTERS:

The alerts provided by exchanges shall be downloaded on daily/monthly/quarterly basis by the Surveillance Team and the Surveillance Team shall analyze the documentary evidences such as bank statement/ demat transactions statement or any such document as may be necessary Based on the KYC and other available 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 scripts 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.

In case while analyzing such alerts if Surveillance Team finds such trading 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 following documentary evidence along with explanation letter is required to be collected from each client whose transactional alerts have been received from exchanges and found suspicious by Surveillance team:
 - i. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought.
 - ii. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.
 - iii. Any other documents which may be required to carry out due diligence/scrutiny on the alerts received from exchange

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

Obligation regarding Client due diligence:

The following activities shall be carried out for client due diligence.

The Alerts provided by the Depositories and the Stock Exchanges and internally generated are downloaded by "the DP Team" and the "Support Team" on a regular basis and the same shall be forwarded to the Compliance officer and HOD Operation.

The "Compliance Team" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in Depository database system of the respective depositories. Based on available information, the Depository Participants shall establish groups.

Obligation w.r.t. Processing of Alerts:

DP and / or Broker shall maintain register (electronic/physical) for recording of all alerts generated.

While reviewing alerts, DP and/or Broker shall obtain transaction rationale, verify demat account statement or the Trading Account Statement and also obtain supporting documents as required from the client.

After verifying the documentary evidences, PSBPL shall record its observations for such identified transactions of its Client.

With respect to the transactional alerts to be provided by PSBPL, shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported) including action taken is updated within 30 days, on the CDSL portal and within 45 days on the Exchange portal.



With respect to the alerts generated by PSBPL, the company shall report instances with adverse observation, along with details of action taken, to CDSL and/or exchange as applicable within 7 days of the date of identification of adverse observation.

Obligation of Compliance officer and HOD Operation:

The surveillance activities of PSBPL shall be conducted under overall supervision of HOD of operations.

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.

Obligation of Quarterly reporting of status of the alerts generated:

In order to comply with the SEBI, Depositories circular and Exchange Circular, DP and Stock Brokers are required to provide duly approved status of the alerts on a quarterly basis (MIS), in the prescribed format to CDSL and respective exchange within 15 days from end of the quarter by the designated compliance team.

DP and Stock Broker who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.

Reporting to respective authorities as applicable, in case of any abnormal activity.

Record Maintenance & Reporting:

The DP shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities.

The Compliance officer and HOD Operation shall be assisted by the DP team and the Risk Management Team for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance officer and HOD Operation.

Each alert received from the Depository or Exchange shall be backed by necessary supporting documentary evidence collected from clients, any other additional details as may be deemed fit may be captured and placed before the Board of Designated Director for review.

The Compliance officer and HOD Operation may seek extension of the time period from the Depositories and / or Exchange, whenever required, under intimation to the Board of Designated Director. Further, the records mentioned in above have to be maintained and preserved for a period of five years from receiving such alert from the exchanges.



Framework of appropriate actions as per obligations under Prevention of Money Laundering Act (PMLA):

Depository and Broking activities involves transfer, buy and sell of securities which have monetary value. As such, certain activity has been brought within the purview of the PML & CFT Policy. KYC norms for opening accounts shall be followed in Depository. In order to ensure monitoring of alerts the procedures as laid and enshrined in "Procedure & Process Flow Manual for Prevention of Money Laundering Surveillance & Risk Assessment" shall be adhered and strictly implemented.

- ✓ Clients whose identity verification seems difficult.
- ✓ False identification documents.
- ✓ Identification documents which could not be verified within reasonable time.
- ✓ Doubt over the real beneficiary of the account
- ✓ Client appears not to co-operate.
- ✓ Sudden activity in dormant accounts.
- ✓ Client having suspicious background or links with known criminals.

In order to ensure the effectiveness of the policies and procedures on the Surveillance Obligations, it shall be reviewed once in every year and as and when required to incorporate the additions, changes, modifications etc., as directed by regulator and such changes shall take place from their effective date.

The Compliance officer and HOD Operation shall be responsible to ensure that as and when the policy is reviewed or updated, the same is consistent with the applicable laws and rules of the exchanges and to bring all the significant changes in the said policy to the notice of Designated Director and place the reviewed policy before the Board for its adoption.

For PROGRESSIVE SHARE BROKERS PVT. LTD.

Director / Auth. Signatory



