SURVEILLANCE POLICY FOR STOCK BROKING AND DEPOSITARY PARTICIPANT OPERATIONS

Objectives of framing a surveillance policy covering

- Alerts to be generated.
- Threshold limits and the rationale for the same.
- Review process.
- Time frame for disposition of alerts and if there is any delay in disposition, reason for the same should be documented.
- Suspicious/Manipulative activity identification and reporting process.
- Record maintenance.

A. Surveillance framework:

It is mandatory under the exchange/regulatory directives to have in place appropriate Surveillance Policies and Systems to detect, monitor and analyze transactions. For the above we have to co-relate the transaction data with their clients' information/data and Detect suspicious/manipulative transactions is an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

The DP 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 from time to time.

In-order to implement the exchange/Depository directives, they have provided us following alerts which have to be reviewed by us. In addition to this we have also developed in-house surveillance software. Both types of alerts are processed within 30 days as DP and 45 days as stock broker from the date of alerts downloaded by the Exchanges/Depository as well as alerts generated by our end. The details of both these have been enumerated below:

I. EXCHANGE 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

Sr.No.	Transactional Alerts	Segment
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

CDSL Alerts:

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

Sr.No.	Indicative themes:
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 will be generated based on some threshold/parameters and are illustrative and not exhaustive. DP have to analyze and review these alerts based on facts and verification of relevant documents including income/net worth as provided by BO. Further, DPs are required to exercise their independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions.
- DPs are required to exercise their independent judgment and take appropriate action to detect any abnormal or suspicious transactions. In addition to the above alerts, DPs are expected to generate additional alerts to detect and prevent any type of market manipulation activity carried out by their clients.

II. IN-HOUSEALERTS

1. Client / group of clients, as identified by the trading member, accounts for a significant percentage of the total trading activity in a scrip / contract as compared to the market.

2. Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.

3. Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip /Contract.

4. Disproportionate trading activity vs reported income / Net worth.

5. Frequent changes in KYC submitted by clients.

6. Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.

7. Client / group of clients having significant selling concentration in the scrips, forming part of ‘For Information list’ or ‘Current Watch list’.

8. Consistency in profit / loss at client / group of clients’ levels, rationale for such trading activities.

9. Significant trading activity in scrips by client who has pledged the shares of same scrip.

10. In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client’s address as per KYC vis a vis the dealing office address.

11. Own alerts - Obligation of Depository Participants to generate Own Surveillance Alerts:

Surveillance alerts generated by member/participants as per alerts mentioned below and other some additional alerts generated based on detect any abnormal activity.

- Significant trading activity in scrips where clients have pledged shares or have significant holding or as frequent off-market transactions.
- We will submit count of the alerts generated by us on a quarterly basis, within 15 days from end of the quarter along with details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter.
- Review and dispose transaction alerts provide by depository within 30 days from the date of alerts generated and provided by depository.
- CDSL communiques No. 309 dated July 15, 2021, 369 dated August 23, 2021, 5 dated January 04, 2022 and 88 dated February 10, 2023 has been taken in to account

12. Related to Internet based Trading:

Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

B. Obligation w.r.t. client due diligence:

We shall carry out following activities for client due diligence

- We shall carry out the Due Diligence of their client(s) on an on-going basis.
- We shall ensure that, key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange and Depository system.
- Analyzed/verify details of client/BO's income / net worth and shall also ask updation of financial details of the client/BO such as income tax return, salary slip, Annual returns, bank or demat transaction/holding statement etc.
- We shall seek written explanation/undertaking from such identified Client/BO(s) / Group of client(s) for entering such transactions and also ask for documentation evidence provided as per mentioned in above.
- We shall identify transactions by Client(s) / Group of Client(s) and in case any adverse observations are recorded, we shall report all such instances to the Exchange/Depository.
- Not allowing trades of entities which are banned by SEBI/Exchange/other regulators. This database is verified by the KYC team before client account is activated and by RMS team before allowing trading to clients.
- Trading is allowed to commence only after execution of the client registration form and all the mandatory Unique Client Code (UCC) parameters such as Name, Address, PAN No. etc., have been uploaded by us to the Exchange portal.
- Likewise, demat account numbers are provided to the demat account holders only after obtaining the Client registration forms and activating the same into the DP system.
- We need to review and examine the details of client's transaction/activities as per following steps:

1. Reasons for trading in particular scrip – especially illiquid scrip and /or illiquid contracts.

2. Whether such volume is justified give the background of the client and his past trading activity.

3. Reasons for such trading behaviour, trading pattern and repeated instances.

4. If any clients change its KYC details frequently than in this case details to be check and verification of such changes is normal or abnormal and also collect necessary evidence or proof of changes in KYC details.

C. Time frame for disposition and Reporting of alerts:

All action/analysis with respect or the alerts generated should be completed within a reasonable time frame as per prescribed by exchange(s)/depository.

We shall review and dispose the alerts within 30 days from the date of generation of alerts provided by depository and submit count of the alerts generated by us on a quarterly basis, within 15 days from end of the quarter along with details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter.

We shall update status of alerts including action taken within 30 days on depository system as prescribed by CDSL and with respect to the alerts generated at our end we shall report instances with adverse observations, along with details of action taken, to CDSL within 7 days of the date of identification of such adverse observation.

With respect to the transactional alerts downloaded by the Exchange, we shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchanges) including action taken is updated within 45 days, on the exchanges system prescribed by respective exchange(s) and with respect to the alerts generated at our end, we shall report instances with adverse observation, along with details of action taken, to the Exchanges within 45 days of the alert generation.

The surveillance activities shall be conducted under overall supervision of the Compliance Officer

A quarterly MIS shall be put up to the board indicating 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 disposition of alerts.

The designated director shall be responsible for all surveillance activities carried out by the trading member

We shall provide duly approved status of the alerts on a quarterly basis, in the format as prescribed by the exchanges and depository to the Exchange within 15 days from end of the quarter.

Additional data in accordance with Surv circular of Dec-24 NSE- INVG/65921

We have an ongoing employee training programs so that the members of the staff are adequately trained in AML/Surveillance obligations and apprising on the Trading Member's surveillance policy. Such training shall have specific focuses for frontline staff, back-office staff, compliance staff, risk management staff and staff dealing with new clients. The said training will conduct at least twice in a year.

We set up a separate Surveillance Department / Team consists of:

1. Amitabh Manya Jain as Chief Surveillance Officer (CSO)

2. Vinod Singh as Team Member

D. Obligation of Compliance officer, Designated Director/Partners/Proprietors:

1. The surveillance activities shall be conducted under overall supervision of its Compliance Officer.

2. A quarterly MIS shall be put up to the Designated Director 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 Designated Director shall be apprised of any exception noticed during the disposition of alerts.

3. Designated Directors would be responsible for all surveillance activities carried out.

4. INANI SECURITIES LIMID. shall submit its surveillance policy to the internal auditor for stock broking operations and internal auditor of DP operations for review and shall satisfy the queries/questions, if any, raised by the internal auditor with respect to the implementation of the surveillance policy, its effectiveness and the alerts generated.

E. Obligation of Quarterly reporting of status of the alerts generated to Exchanges/Depository:

We will provide duly approved status of the alerts on a quarterly basis, in the prescribed format to the Exchange/Depository within 15 days from end of the quarter

F. Escalation and reporting mechanisms

1. INANI SECURITIES LIMID. shall review the compliance with the provisions of the framework under this Chapter of these regulations not less than once in a quarter and shall verify the adequacy and efficiency of the systems for internal control and reporting by analyzing the relevant data.

2. INANI SECURITIES LIMITED. are required to inform the details of suspicious activity via email or Member Surveillance Dashboard (MSD) within 48 hours of the detection of suspicious activity.

3. INANI SECURITIES LIMID. shall submit a summary analysis and action taken report on instances of suspicious activity, fraud and market abuse or a ‘nil report’ where no such instances were detected, on a Quarterly basis to the stock exchanges.

4. Any deviation in adherence to internal controls, risk management policy, surveillance policy, and policy for onboarding of clients along with the proposed corrective actions for such Deviation shall be placed before the appropriate Committee, Board of Directors at regular intervals.

G. Accountability matrix

INANI SECURITIES LIMID. shall have an accountability grid for different types of suspicious behavior. A model accountability grid is as under:

Surveillance Party	Responsible
CEO / Executive Director(s) / Senior Management / Key Managerial Personnel	Board of Directors
Promoters	Board of Directors

Surveillance Party	Responsible
Employees	Senior Management / Designated Director
Clients	CSO / Compliance Officer / Designated Director
Authorised Persons	CSO / Compliance Officer / Designated Director

H. Record maintenance:

We shall maintain and keep all such records and documentary evidences that have been analyzed/taken by us either in soft copy or in hard copy for the time period as prescribed by the regulatory authority.

The surveillance policy is approved by the Board of Directors.

Review Date: 31.03.2026