

SURVEILLANCE POLICY**FOR****STOCK BROKING AND DEPOSITORY PARTICIPANT OPERATIONS**

BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) vide its circular dated July 1, 2021 BSE Notice No 20210701-30, NSE Circular No.: 452/2021 dated July 15, 2021, and SEBI Circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 dated March 23, 2023 has directed the Trading Member / Depository Participant to frame a surveillance policy for effective monitoring the alerts based on trading / demat activity on the Exchanges / Depository as well as own alerts generated by the trading member/ DP at their end based on their surveillance policy and suitable actions. Trading member / DP are directed to have proper mechanisms and to ensure that proper checks and balances are in control. The policy is applicable to the stock broking operations and depository participant (DP) operations of Smart Equity Brokers Private Limited.

SCOPE:

The company shall implement the following policy: -

A. Surveillance Policy for Stock Broking

The Stock Exchanges provides alerts based on predefined criteria through their respective portals. As per applicable circulars, Smart Equity Brokers Private Limited reviews these alerts and takes 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, Surveillance Policy has been framed to generate alerts as per guidance provided in following criteria:

- (i) Trading activity in a single day by one client or group of clients who have contributed more than 25% in single scrip or a single derivative contract.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) A client or group of clients having more than 20% volume of any scrip listed in for "information list" or "current watch list".
- (vi) 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.

- (vii) 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.
- (viii) A client having demat account with Maverick Share Brokers Private Limited 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 through off market transfer.
- (ix) A client who has received shares of a listed company through multiple off market transfer and has pledged such shares.
- (x) The stock broking operation shall review the alerts provided by Stock Exchanges on an ongoing basis and shall ensure to process the same as early as possible. In any case, these alerts will be processed within 15 days from the date of generation of the alert by the Stock Exchanges.
- (xi) In case of any delay in disposing off any alerts, reasons for the same shall be recorded.
- (xii) The stock broking operation shall identify suspicious/manipulative activities undertaken by any client through monitoring of order(s) and trade(s).
- (xiii) The stock broking operation shall, in case of reporting of any transaction as STR to FIU-India, shall evaluate whether any further action including suspension of the trading activity of the suspect client(s), reporting to Stock Exchanges/SEBI and/or other Regulatory Authorities.
- (xiv) The stock broking operation shall maintain records for such period as is prescribed under PMLA (Maintenance of Records) Rules, 2005, and Securities Contracts (Regulation) Rules, 1957 and any other directions as may be issued by SEBI/Stock Exchanges from time to time.

B. Surveillance Policy for operations as Depository Participant

NSDL is providing transactional alerts on Fortnightly basis based on threshold defined by NSDL to the all the Depository Participants including Smart Equity Brokers Private Limited. Smart Equity Brokers Private Limited reviews these alerts and takes 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, the company has framed its Surveillance Policy for Depository Participant operations to generate alerts as per guidance based on following criteria:

- (i) 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 Participant.
- (ii) Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- (iii) Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- (iv) Frequent Off-Market transfers by a client in a specified period.
- (v) Off-market transfers not commensurate with the income/Net worth of the client.

- (vi) Off-market transfers (High Value) immediately after modification of details in demat account.
- (vii) 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.
- (viii) Pledge transactions not commensurate with the income/Net worth of the client.
- (ix) 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.
- (x) Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

The DP shall identify suspicious/ manipulative activities undertaken by any client through monitoring of transaction(s). In case of reporting of any transaction as STR to FIU-India, shall evaluate whether any further action including disassociating with the suspect client(s) and reporting to NSDL/SEBI and/or other Regulatory Authorities.

The DP shall maintain records for a period of eight years' 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.

The appropriate action will be taken in case any abnormal or suspicious transaction has been detected and the same will be reported to NSDL.

C. Process of disposal of alerts and action:

- (i) The designated officials who are tasked to review the alerts on daily basis shall review the same.
- (ii) 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.
- (iii) If the designated official after due diligence and making such inquiry as such official finds necessary comes to a conclusion that the alert warrants an action, the official will forward the same with his/her views to the Compliance Officer for his/her approval.
- (iv) The Compliance Officer, after review of the alerts along with the submitted comments of the designated official, decides to close the alert, he/she shall close it with appropriate remarks. If the Compliance Officer 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 NSDL and/or discontinue the relationship with the client.
- (v) In any case, these alerts will be processed within 30 days from the date of generation of the alert by NSDL. And with respect to the alerts generated at the DP end, DP shall report instances with adverse observation, along with details of action taken, to NSDL within 7 days of the date of identification of adverse observation.
- (vi) In case of any delay in disposing off any alerts, reasons for the same shall be recorded.
- (vii) 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 tamper proof and the access is available on to designated officials under the supervision of the Compliance Officer.

D. Obligations of Compliance Officer/ Designated Director and Internal Auditor of the Stock Broking Business and Depository Participant operations.

- (i) The surveillance activities of the stock broking operations and that of DP operations shall be conducted under over all supervision of the Compliance Officer of Smart Equity Brokers Private Limited.
- (ii) 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 apprised of any exception noticed during the disposal of the alerts.
- (iii) The Designated Director shall be responsible for all surveillance activities carried out by the trading member.
- (iv) Smart Equity Brokers Private Limited 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 for Stock Broking Operations and Depository Participant Operations:

1. A quarterly statement providing duly approved status of alerts in respect of stock broking operations on quarterly basis shall be submitted to BSE, NSE, and MCX in the following format within 15 days after the end of the quarter:

i. Status of Alerts generated by the Trading Member:

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts verified & closed in the quarter	No. of alerts referred to Exchange	No. of alerts pending / under process at the end of quarter

ii. Details of alerts referred to the Exchange

Sr. No.	Date of Alerts	Type of Alerts	Brief observation and details of action taken	Date referred to Exchange

- iii. Details of any major surveillance action taken (other than alerts referred to Exchanges) if any during the quarter

Sr. No.	Brief action taken during the quarter

- iv. In case Smart Equity Brokers Private Limited does not have anything to report, a "NIL Report" shall be filed within 15 days from the end of the quarter.
- 2. A quarterly statement providing duly approved status of alerts in respect of DP operations on quarterly basis shall be submitted to NSDL in the following format within 15 days after the end of the quarter:
 - i. Status of Alerts generated by the Depository participant:

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts verified & closed in the quarter	No. of alerts referred to NSDL	No. of alerts pending / under process at the end of quarter

- ii. Details of any major surveillance action taken (other than alerts reported to NSDL) if any during the quarter.
- iii. In case Smart Equity Brokers Private Limited DP operation does not have anything to report, a "NIL Report" shall be filed within 15 days from the end of the quarter.

F. Review of Policy

The Surveillance Policy shall be reviewed on periodic basis and at least once a year by the Compliance Officer to ensure that the same is updated in line with market trends, updated regulations, and practices.