

DEALMONEY

Surveillance and Monitoring Policy

Related regulations /Circulars	NSE Circular no. NSE/INVG/22908 dated March 7, 2013. NSE Circular no. NSE/SURV/40148 dated February 5, 2019. NSE Circular no. NSE/SURV/48818 dated July 01, 2021 BSE Notice No. 20130307-21 dated March 7, 2013. BSE Notice No. 20170223 /44 dated February 23, 2017. BSE Notice No. 20190205-54 dated February 5, 2019. BSE Notice No. 20210701-30 dated July 01, 2021 CDSL Communique No. CDSL/OPS/DP/SYSTM/2021/309 dated July 15, 2021
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TABLE OF CONTENT

Sr. No.	Particulars
1	Policy Objective
2	Policy Background
3	Scope
4	Definition
5	Types of Alerts Prescribed by the Stock Exchange
6	Generation of suitable surveillance alerts and disposal thereof
7	Client Due diligence
8	Obtaining Information for Analysis
9	Review of Alerts
10	Process of reviewing / analysing the alerts/ Framework of actions
11	MIS and Reporting
12	Record Maintenance
13	Roles and Accountability
14	Graded Surveillance Measures

1. Policy Objective

Surveillance of trading activities is imperative to safeguard the firm against any reputational risk, non-compliance with any regulatory laws /rules and/or financial risk resulting out of actions/ transactions/ deeds done by the clients on DEALMONEY's platform. The same is necessary to mitigate the risk across the markets and to bring transparency in the trading system.

2. Policy Background

In order to facilitate effective surveillance mechanism at member level, National Stock Exchange of India Limited (NSE) vide its circular no. NSE/INVG/22908 dated March 7, 2013 and the Bombay Stock Exchange Limited (BSE) vide its notice 20130307-21 dated March 7, 2013 have issued guidelines in respect of surveillance obligations for Trading Members. To ease the process of alerts identification and generation, Exchanges have started providing indicative transactional alerts based on the member's trading activity. NSE and BSE have reassessed the on-going framework and has identified enhancements to make the said surveillance framework more effective and issued NSE circular no. NSE/SURV/48818 dated July 01, 2021 and BSE notice no. 20210701-30 dated July 01, 2021 in this regard in partial modification of its earlier Circulars/Notices.



To effectively discharge its surveillance obligations, Exchanges have directed trading members to inter alia, frame a surveillance policy which should cover inter alia generation and processing of alerts, identification of Suspicious/ Manipulative activity, Framework of appropriate actions, Maintenance of Record etc. and to ensure that adequate monitoring and reporting is in place in line with aforesaid Exchange surveillance guidelines and modifications thereto from time to time.

CDSL vide its Communique no. CDSL/OPS/DP/SYSTM/2021/309 dated July 15, 2021 advised all DPs to put in place a surveillance framework which shall cover inter alia framing a surveillance policy, generation and processing of alerts, client due diligence, framework of appropriate actions, maintenance of records, Quarterly MIS to be placed before the Board, reporting of alerts to CDSL within prescribed timelines etc.

In view of the above, the Company endeavours to frame this policy for surveillance of these alerts and the manner of disposal of the same.

3. Scope

DEALMONEY would review surveillance alerts provided by the Stock Exchanges/ Depository as well as alerts generated based on the indicative themes prescribed in circulars issued by the Exchanges/ Depository and internal parameters decided by DEALMONEY for surveillance to enable them to effectively monitor the trading activity of their clients.

The review of Exchange alerts include -

- preliminary assessment of alerts;
- connecting with clients for clarification, if required
- internal discussion with concerned teams
- disposing the alerts in timely manner;
- Escalation of adverse findings/comments with Stock Exchanges/ Depository within a prescribed time frame.
- A quarterly MIS relating to alerts to be put up to the Designated Director for approval
- Quarterly Reporting of the status of alerts generated to the Stock Exchanges / Depository within prescribed time period.
- A quarterly MIS shall be put up to the Board on the number and status of alerts, closure and action taken etc.

DEALMONEY will continue to review this policy as and when alerts categories are amende/added by the Stock Exchanges/SEB /Depository/ internal parameters, appropriately.

4. Definition

1. **Surveillance:** According to the International Organization of Securities Commissions (IOSCO), “the goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets.” Surveillance monitoring is required to analyse the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market.

2. The main objectives of surveillance can be summarized below:

- a. To detect potential abnormal activity of clients
- b. Analyse the abnormal activity to check whether the same fall under unethical trading practices or practices banned by SEBI / other regulators or have adverse tax implications or could be associated with money laundering.
- c. To identify the parameters that will generate alerts on the abnormal activities mentioned above

The stock exchanges use an automated surveillance system for monitoring real-time trading activities.

3. **Alerts:** If there is an unusual change in terms of price and/or trading volume for any security, the exchange’s surveillance system will generate an alert, based on pre-set parameters.

5. Types of Alerts Prescribed by the Stock Exchange

At present, Stock Exchanges are providing 11 categories of transactional alerts for the Cash segment and 2 types of alerts in the Derivatives Segment. The lists of these alerts are as follows:

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 (Pump-and-dump” involve the touting of a company’s stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace.)	Cash
9	Reversal of Trades	Cash & Derivatives
10	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)	Cash



11	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
12	Order book spoofing i.e. large orders away from market	Cash

6. Generation of suitable surveillance alerts and disposal thereof

As per Exchange directives, in addition to the transactional alerts downloaded by Exchanges, trading member is also required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the trading activity of their clients as per the laid down surveillance policy. The indicative themes on which Trading Member may formulate their own alerts are mentioned as under:

➤ The indicative themes applicable to All Trading Members

- Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
- 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.
- Client / group of clients dealing frequently in small quantities / minimum market lot in a scrip/ contract.
- Disproportionate trading activity vs reported income / Net worth.
- Frequent changes in KYC submitted by clients.
- 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.
- Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. For more details, kindly refer NSE circular no. NSE/INVG/ 45517 dated August 30, 2020 and BSE notice no. 20200830-1 dated August 30, 2020.
- Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in NSE circular no. NSE/INVG/2019/ 40175 dated February 07, 2019 and BSE notice no. 20190207-46 dated February 07, 2019.
- Significant trading activity in scrips by client who has pledged the shares of same scrip.
- In case of concerns of trading activity of a client / 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.

➤ The indicative themes additionally applicable to Trading Members who are Depository Participants.

Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.

➤ The indicative themes additionally applicable to Trading Members who have facility of internet-based trading.

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

Obligation of DP to generate additional Surveillance Alerts:

- DEALMONEY being DP of CDSL is required to generate appropriate surveillance alerts at its end, to enable it to effectively monitor the transactions of their clients as per the laid down surveillance policy.
- DEALMONEY shall put in place system to generate the alerts (based on indicative theme) with effect from October 1, 2021.
- The indicative themes may formulate its own alerts are as under: -

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/Networth of the client.
6	Pledge transactions not commensurate with the income/Networth 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 will be generated based on some threshold / parameters. DEALMONEY will take appropriate action in order to detect any abnormal or suspicious transactions



The said surveillance and disposal of the alerts shall be done on the basis of following process:

- Receipt of Alerts“ from Exchanges / generated at member’s end.
- In-house alerts to define basis the experience of transaction patterns of the clients
- Timely disposition of alerts and if there is any delay in disposition, reason for the same shall be documented
- Suspicious / Manipulative activity identification
- Reporting process
- Record Maintenance

DEALMONEY shall investigate these alerts whenever received from Exchange / Depository and may also formulate their own alerts in addition to the alerts mentioned above.

7. Client Due Diligence

In terms of above mentioned NSE, BSE and CDSL circulars, DEALMONEY is required to carry out the due diligence of their clients. For this purpose, following activities shall be carried out by based on UCC parameters:

- Client(s) Information: The Due Diligence of its client(s) shall be carried out on a continuous basis as mentioned in the AML Policy.
- It shall be ensured that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI/Exchanges/ Depository.
- Based on available information, the DEALMONEY shall establish groups / association/ identify multiple accounts / common account/ group of clients.

8. Obtaining Information for analysis:

In order to analyse the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, DEALMONEY shall:

- a) Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b) Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, will be sought. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met will be sought. The period for such statements shall be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- c) After analyzing the documentary evidences, the records and observations for such identified transactions or Client(s)/Group of Client(s) is to be maintained. Based on the documentations, the alerts need to be closed by giving remarks at the Exchange(s)

platform. Further, in case of adverse observations (if any) are recorded, the same shall be reported to the Exchange within 45 days of the alert generation. In case of delay in disposition of the alert same may be documented for the record purpose

- d) In case there is delay in receiving the response from the client beyond the stipulated timelines, same may be informed to the Exchange based on the relevant information available with the member.

9. Review of alerts

The alerts generated or received from the regulators shall be reviewed and analysed based on following factors: -

- a) Nature of client category (Individual / Corporate)
- b) Risk category of the client (High / Medium / Low), decided in terms of AML/KYC Policy
- c) Frequency of the alert
- d) Pattern of the client transaction/trading
- e) Type of alert downloaded/provided by the Exchange
- f) Financial details of the client
- g) Past Trading pattern of the clients/ client group
- h) Bank / Demat statement (The period for such statements may be at least +/- 15 days from the date of transactions)
- i) Other connected clients UCC (common email/ mobile number/ address, bank details, other linkages, etc.)
- j) Other publicly available information

10. Process of reviewing / analysing the alerts/ Framework of actions:

I. The schedule for surveillance:

- a) The monitoring of alerts received from Exchanges and alerts generated other than exchange will be reviewed and analysed on ongoing basis. All the internal alerts will be reviewed / actioned by Surveillance team within the 5 trading days from the date of generation of alerts. These alerts will be closed with proper independent analysis and conclusion covering various disposition categories such as 'alerts requiring no action', 'alerts requiring further investigation', or 'alerts for which internal action is required' etc. along with the Reasons/comments on the same. Further, Surveillance team may seek for the necessary explanation/ rationale for the closure of alerts, if required. In case of any suspicious / manipulative activity, the same will be analysed and reported to the Exchange in timely manner. Also, the reasons for non-reporting to the Exchanges shall be recorded and maintained on case to case basis (wherever required).
- b) In case of DP, alerts will be reviewed and updated on the portal within 30 days. In case of adverse observation same shall be reported within 7 days of identification of the observation along with the action taken if any.



- c) On an ongoing basis, appropriate due diligence and scrutiny shall be performed on the account to ensure that the transactions being conducted are consistent with the Company/s knowledge of the customer, its business & risk profile and customer's sources of funds wherever necessary.

II. Time frame to dispose of the alerts shall be 45 calendar days from the date of alert generation / receipt from the Stock Exchange. The Surveillance/ Business Risk officer shall periodically review all alerts and decide on changes required to be made in which the alerts are scrutinised or handled. DEALMONEY may seek extension of the time period from the Exchange, wherever required.

DEALMONEY shall ensure that all alerts downloaded by the Exchanges / Depository and alerts generated are analyzed and status thereof (Verified & Closed) including action taken is updated / report to Exchanges / Depository within prescribed time period.

If required, the officer may forward the observation to the Designated Director for further review and if the Designated Director determines the client transactions to be suspicious then it may report such transactions to the Financial Intelligence Unit (FIU) as per the PMLA regulations.

The reviewer / Compliance officer shall maintain MIS of all transaction alerts provided by Stock Exchanges / Depository as well as alerts generated and its observations including the adverse observations which require reporting to Stock Exchanges / Depository. In addition to the obligations under PMLA, actions may include suspension of the trading activity of the suspect client or any other action as may be deemed appropriate by DEALMONEY. All the relevant records shall be maintained for 5 years from date of alert generation as per the PMLA Regulations.

11. MIS and reporting

I. Approval and Reporting to Exchange / Depository:

a. Alerts from Exchange / Depository: DEALMONEY will thoroughly analyse the alerts generated by the Exchanges / Depository and sent to the Company based on the process defined above and report back to Exchange / Depository.

b. In house alerts: DEALMONEY will generate its own surveillance alerts based on indicative themes defined by Exchanges/Depository/other parameters and will report to the Exchanges/ Depository on quarterly basis within prescribed time period as per prescribed format. In case, DEALMONEY do not have anything to report, then 'NIL Report' will be submitted within the prescribed time period to Exchanges / Depository.

Before reporting to Exchanges / Depository, status of alerts / action taken / disposal etc. will be approved by Designated Director on quarterly basis. Requirement of reporting of quarterly alerts would be w.e.f the quarter ending Sep, 2021 for Exchanges and quarter ending Dec. 2021 for Depository.

II. Reporting to Board:

The Board should be informed on a quarterly basis along with following information

1. No. of alerts pending at the beginning of the quarter
2. No. of alerts generated / received from Exchanges / Depository
3. No. of alerts disposed of during the quarter
4. No. of alerts pending at the end of the quarter
5. Reason for pendency along with action taken, if any.
6. Exceptions noticed during the disposition of alerts, if any

III. The surveillance activity shall be conducted by the Risk Officer or any officer appointed, under the overall supervision of the Compliance Officer.

12. Record Maintenance

DEALMONEY shall maintain the records of alerts analysed and / or reported to the Exchanges, for a period of at least five years from the date of generation of such alert. Further, each alert received from the Exchanges shall be backed by necessary supporting documentary evidence.

The details of each alert, explanation sought from client, documentary evidence collected from clients, reason for reporting/ non reporting the alert to Exchange, reason for reporting the alert to FIU, any other additional details as may be deemed fit by the Compliance Officer shall be captured.

13. Roles and accountability

As specified in the circulars on the surveillance obligations of TM and DP issued by Exchanges and Depository respectively:

- a) The Compliance Officer shall supervise the overall process of surveillance activities and reporting and shall be responsible for the record maintenance and reporting of such activities.
- b) For alerts which require action, the Operations Department will suggest the action and implement the same after approval from the Compliance Officer.
- c) A quarterly MIS shall be put up to the Designated Director / Board on the number of alerts pending at the beginning of the quarter, generated & processed / 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 / Board shall be apprised of any exception noticed during the disposition of alerts.

- d) Designated Director would be responsible for all surveillance activities carried out by the Trading member.
- e) The reporting structure for each kind of alert will be followed as per the SOP. The above guidelines are illustrative and not exhaustive. Based on facts and circumstances, the Officials shall exercise their independent judgment and take adequate precaution.

14. Graded Surveillance Measures

- a. Securities and Exchange Board of India (SEBI) and Exchanges, in order to enhance market integrity and safeguard the interest of investors, have been introducing various enhanced pre-emptive surveillance measures. In line with the Graded Surveillance Measures (GSM), DEALMONEY would comply with the directives issued by SEBI & Exchanges from time to time. The detailed approach for the same is covered in Risk Management Policy.
- b. The categories and stages related to GSM are mentioned in the RMS policy