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# Surveillance Policy for Stock Broking and Depository Participant Operations

## 1. Introduction & Applicability

This Surveillance Policy is established to ensure robust monitoring of trading activities, communications, and disclosure practices across Stock Broking and Depository Participant (DP) operations. It is framed in accordance with the SEBI regulatory framework and incorporates best practices and provisions from previous circulars issued by SEBI, the Stock Exchanges (NSE and BSE), and Depositories (e.g., CDSL). The policy applies to all employees, trading desks, compliance officers, IT surveillance teams, and other personnel engaged in these operations.

## 2. Objectives

- **Detection & Prevention:** Identify and mitigate market irregularities, unauthorized trading, and manipulative activities.
- **Regulatory Compliance:** Ensure strict adherence to SEBI guidelines and circulars, along with reporting requirements to Stock Exchanges and Depositories.
- **Transparency & Record Keeping:** Maintain tamper-proof records of trading, communications, and corrective actions.
- **Risk Management:** Monitor suspicious activities through predefined alert criteria and act on them in a timely manner.

## 3. Scope

This policy governs:

- **Stock Broking Operations:** All trading activities, order processing, client communications, and alert management.
- **Depository Participant Operations:** Management of demat accounts, off-market transfers, modifications to client records, and related alert reviews.
- **Communication Channels:** Usage of emails, social media, instant messaging, VoIP, and other digital platforms by employees or agents.

## 4. Definitions

- **Surveillance:** Continuous real-time monitoring of trading activities and communications to detect anomalies or regulatory breaches.
- **Unauthenticated News:** Market-related information circulated without proper verification.
- **Alert:** A system-generated or manually flagged indicator that a client's activity may be irregular.

- **Trading Window Closure:** Periods during which trading by designated persons is restricted to prevent misuse of unpublished price-sensitive information (UPSI).
- **Designated Person (DP):** Individuals (such as directors, key managerial personnel, or promoters) subject to trading restrictions.

**5. Circular References**

This policy incorporates and aligns with the following circulars and communiqués:

**Exchange & Depository References:**

- **SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2021/22** (Dated 01.03.2021)
- **NSE Circular No. NSE/SURV/48818** (Dated September 01, 2021)
- **BSE Circular 20210701-30** (Dated September 01, 2021)
- **CDSL Communique No. CDSL/OPS/DP/SYSTM/2021/309** (Dated July 15, 2021)

**6. Surveillance Policy for Stock Broking Operations**

**6.1 General Framework**

- **Real-Time Monitoring:** Utilize automated systems to capture and analyze all trading and communication activities.
- **Exchange Alerts:** Act on alerts provided by NSE, BSE, and other sources based on predefined criteria (e.g., high concentration trading, new/re-activated accounts, frequent small trades, etc.).

**6.2 Alert Criteria**

Alerts will be triggered in cases including, but not limited to:

- Trading by a single client/group contributing more than 25% of a scrip's or derivative's volume.
- New or reactivated clients contributing over 50% of daily volume.
- Frequent small trades potentially indicating wash trading.
- Clients submitting multiple modification requests within a month.
- Transactions by related parties before public disclosure of price-sensitive information.
- Discrepancies in client location (orders placed from a different region than the KYC address).
- Multiple client codes trading from the same IP address.
- Clients holding significant stakes (more than 5% of paid-up capital) with concurrent high trading volumes and margin pledges.

**6.3 Processing & Actions**

- **Review Timeline:** All alerts must be reviewed within 45 days of generation. Delays must be duly documented.
- **Due Diligence:** Designated officials will conduct detailed investigations. Alerts that do

not warrant action will be closed with proper remarks.

- **Escalation & Reporting:** Suspicious alerts will be escalated to the Compliance Officer for further actions, which may include filing a Suspicious Transaction Report (STR) with FIU-India, suspension of client trading, or reporting to SEBI and Stock Exchanges.

## 7. Surveillance Policy for Depository Participant Operations

### 7.1 General Framework

- **Alert Generation:** Alerts will be generated from depository systems (e.g., CDSL) based on criteria such as multiple accounts with the same PAN or mobile number, frequent modification requests, off-market transfers, or unusual account activity.
- **Automated & Manual Reviews:** Alerts are to be reviewed and processed using both automated tools and manual investigations.

### 7.2 Processing & Actions

- **Review Timeline:** Alerts must be processed within 30 days of generation. Justifications for any delays must be recorded.
- **Due Diligence:** Designated officials will verify each alert. Suspicious cases will be escalated to the Compliance Officer.
- **Corrective Measures:** Depending on findings, actions may include disassociating the client, reporting to CDSL/SEBI, or other remedial measures.
- **Record Maintenance:** All actions and communications must be securely recorded and maintained as per applicable regulatory requirements.

## 8. Roles and Responsibilities

- **Compliance Officer:**
  - Oversee the overall surveillance process, validate alerts, approve actions, and prepare quarterly reports.
- **Designated Analysts/Officials:**
  - Monitor alerts daily, conduct due diligence, and either close alerts or escalate them for further action.
- **Trading & Operations Teams:**
  - Ensure compliance with SEBI and internal guidelines for both on-market and off-market transactions.
- **IT & Surveillance Systems Team:**
  - Maintain robust, secure surveillance systems and ensure accurate, tamper-proof record keeping.
- **Internal Audit:**
  - Periodically review surveillance processes and provide recommendations for improvement.

## 9. Surveillance Procedures

### 9.1 Trading Surveillance

- **Data Capture & Analysis:** Monitor all trades in real time with automated systems.
- **Anomaly Detection:** Utilize algorithms to flag irregularities and cross-check against established criteria.
- **Post-Trade Reviews:** Conduct periodic audits to confirm compliance with regulatory and internal guidelines.

### 9.2 Communication Monitoring

- **Access Control:** Regulate and monitor access to communication channels.
- **Approval Process:** All market-related communications must be pre-approved by the Compliance Officer.
- **Log Maintenance:** Maintain detailed logs of all communications for audit and investigation purposes.

### 9.3 Alert Processing

- **Daily Reviews:** Designated officials review alerts every day, ensuring prompt closure or escalation.
- **Documentation:** Record all investigations, decisions, and actions taken.
- **Quarterly Reporting:** Detailed reports on alert status and actions are submitted to the Stock Exchanges (for Stock Broking) and CDSL (for DP operations) within the prescribed timelines.

## 10. Record Keeping

- **Retention:** Maintain all records in accordance with the PMLA (Maintenance of Records) Rules, Securities Contracts (Regulation) Rules, and any other regulatory requirements.
- **Security:** All records must be stored securely with access limited to authorized personnel.
- **Audit Trail:** Ensure an auditable trail of all surveillance activities and communications is maintained.

## 11. Reporting & Due Dates

Reporting is structured to ensure timely submission of surveillance data to the relevant authorities. The following tables summarize the reporting schedules for Stock Broking and DP operations:

**Table 1: Reporting Schedule for Stock Broking Operations**

| Parameter | Details |
|---|---|
| Implementation Effective Date | [Insert Date] |

| Parameter | Details |
|---|---|
| First Report Submission Due | Within 15 days of quarter-end |
| Reporting Frequency | Quarterly |
| Reporting Authority | NSE / BSE/ MCX/ NCDEX |
| Key Reporting Metrics | Total alerts generated, alerts closed, alerts pending, actions taken, reasons for pending alerts |

**Table 2: Reporting Schedule for Depository Participant Operations**

| Parameter | Details |
|---|---|
| Implementation Effective Date | [Insert Date] |
| First Report Submission Due | Within 15 days of quarter-end |
| Reporting Frequency | Quarterly |
| Reporting Authority | CDSL |
| Key Reporting Metrics | Total alerts generated, alerts closed, alerts pending, actions taken, reasons for pending alerts |

**12. Integration with SEBI Master Circular Provisions**

This policy fully integrates provisions from the SEBI Master Circular on Surveillance of Securities Market, including but not limited to:

- Trading rules and shareholding in dematerialized mode.
- Monitoring of unauthenticated news.
- Disclosure reporting under SEBI (PIT) Regulations.
- Framework for restricting trading during window closures via freezing PAN at the security level.

These provisions are implemented to ensure seamless compliance with all relevant SEBI circulars and guidelines.

**13. Training and Policy Review**

- **Training:** Regular training sessions will be conducted to ensure all relevant personnel understand this policy and the associated regulatory requirements.
- **Review Cycle:** This policy shall be reviewed at least annually or when significant regulatory or operational changes occur. All revisions must be approved by senior management and communicated promptly.

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- **Internal Audits:** Periodic audits will assess the effectiveness of surveillance measures and compliance with this policy.

This Surveillance Policy underscores our commitment to maintaining market integrity, protecting investor interests, and ensuring compliance with all applicable SEBI, Exchange, and Depository regulations. All employees and stakeholders are required to adhere strictly to these guidelines and participate actively in the ongoing surveillance and review processes.

This policy is revised and approved by the Board of Partners in the meeting held on 1st September 2026 at its registered office and will be reviewed periodically for updates as per regulatory changes.

For, Eklingji Broking LLP

EKLINGJI BROKING LLP
M.R.Shah

Partners DESIGNATED PARTNER

EKLINGJI BROKING LLP
Jindal

DESIGNATED PARTNER