

Surveillance Policy of Depository Participant



PRL STOCK & SHARE BROKERS PVT. LTD. (PRLSS) - DPID - CDSL – 12090400

Introduction: National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), vide Circular No.: NSDL/POLICY/2021/0072 Date: July 15, 2021 & CDSL/OPS/DP/SYSTEM/2021/309 July 15, 2021 has directed the Depository Participants to frame a surveillance policy for effective monitoring of the alerts based on effective monitoring the transactions as per the laid down surveillance policy. Depository Participants have been directed to keep proper mechanisms and to ensure that proper checks and balances are in control regarding their surveillance obligations PRLSS is framing this policy accordingly.

Applicability: The policy is applicable to the DP Operations of PRLSS w.e.f. 01-10-2021 The Policy/framework is approved in the meeting of Board of Directors of PRLSS held on 09 Sept 2021 which shall cover the:

1. Obligation of Depository Participants to generate Surveillance Alerts:

CDSL is providing dormant account and transactional alerts on daily basis (if any) based on threshold defined by CDSL to the all the Depository Participants through CDSL report download utility. As per applicable Communiqués or circulars, PRLSS is 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. Now with the implementation of this policy PRLSS will generate its own alerts based on following parameters:

- 1- Multiple Demat Account with same PAN / Mobile Number / email-ID / Bank Account details / Address having off market transactions inter se.
- 2- Whether mails and couriers to parties are returned undelivered frequently?
- 3- A BO who has submitted modification request for changes in his / her / its demographic details of address, email-id, mobile number, bank details, POA holder, Authorized Signatory etc. Just after opening the account (within 30 days)
- 4- Frequent off- market transfer of securities, Trusted Shares & Investments Ltd will verify the genuine reasons. In case of off market transactions, purpose of transfer, details of consideration, if applicable, have to be obtained. Particular care has to be exercised for cash consideration and in cases where value of transaction is more than 5 lakhs, transactions will be verified by the Compliance Manager/Senior Executive in addition to the DP Manager.
- 5- Off-market transactions not commensurate with the income/net worth of the BO.
- 6- Pledge transactions not commensurate with the income/net worth of the BO.

- 7- High value off-market transfer immediately after modification of either email-ID/mobile number/address without genuine reason.
- 8- Review of reasons for off-market transfer provided by the BO which appears non-genuine based on either his/her profile of the BO or on account of reason codes, including frequent off-market transfer with reason code gift/donation to unrelated parties and/or with reason code off-market sales and off market transaction "Returned of Loan".
- 9- Suddenly increase in transaction activity in a newly opened account in a short span of time. An account in which securities balance suddenly reduces to zero and closed in a short span of time. Opened and an active account with regular transaction suddenly becomes dormant.
- 10- The DP shall identify suspicious/manipulative activities undertaken by any client having interest with the Ex-Employee of the Stock Broker/Depository Participant through monitoring of transaction(s). The DP shall review the alerts provided by CDSL on fortnightly basis and shall ensure to process and status thereof (Verified & Closed/Verified & Reported to Depository) as early as possible. In any case, these alerts will be processed within 30 days from the date of generation of the alert by CDSL. In case of any adverse finding matter be reported to Depository within 7 days. In case of any delayed in disposing off any alerts, reasons for the same shall be recorded. The DP shall identify suspicious/manipulative activities undertaken by any client through monitoring of transaction(s) The DP shall, in case of reporting of any transaction as STR to FIU-IND, shall evaluate whether any further action including.

2. Periodical Due Diligence:

Balance sheets (in case of corporate accounts) are reviewed. It may be noted that all Corporate accounts having sufficient net worth. Accounts in DP are periodically reviewed to mark them active /inactive or dormant requiring different level of authorization. When dealings were observed in select non group "A" shares only, necessary due diligence will be carried out. Reporting within 7 days of identifying any adverse observation.

3. Obligation of Depository Participants w.r.t. processing of Alerts:

The designated officials who are tasked to review the alerts on daily basis shall review the same. 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. 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. 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/CDSL and/or discontinue the relationship with the client. The reports of such instances along with adverse observations and details of actions taken shall be submitted to the CDSL within 7 day from date of identification of such instances. 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 accesses available on to designated officials under the supervision of the Compliance Officer.

4. Obligation of Compliance Officer and Internal Auditor/Concurrent Auditor of the Depository Participants:

The surveillance activities of the DP (Depository Participants) operations shall be conducted under overall supervision of the Compliance Officer of PRLSS. The policy implemented by PRLSS in accordance with the provisions of Prevention of Money Laundering Act, 2002 and rules made there under as Reporting Entity. 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. The Designated Director shall be responsible for all surveillance activities carried out by the DP. PRLSS shall submit its surveillance policy to the 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.

5. Obligation of Quarterly reporting of status of the alerts generated by Participants:

A quarterly statement providing duly approved status of alerts in respect of DP operations on quarterly basis shall be submitted to CDSL in the prescribed format within 15 days after the end of the quarter: In case PRLSS DP operation does not have anything to report, a "NIL Report" shall be led within 15 days from the end of the quarter. Disassociating with the suspect client(s) and reporting to CDSL/SEBI and/or other Regulatory Authorities. 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 NSDL/CDSL /SEBI/Stock Exchanges from time to time. The DP shall review the alerts provided by NSDL/CDSL on fortnightly basis and shall ensure to process the same as early as possible. In any case, these alerts will be processed within 30 days from the date of generation of the alert by CDSL. In case of any delayed in disposing off any alerts, reasons for the same shall be recorded. The DP shall identify suspicious/manipulative activities under taken by any client through monitoring of transaction(s).

6. Schedule of the implementation of the Policy:

The policy shall implemented from 01.10.2021. The first reporting by DP operations shall be submitted within 15 days from end of 31.12.2021.

7. Review of Policy:

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