

**PRABODH ARTHA WARDHINI PVT. LTD.**  
**Trading Member of NSE – INZ000251639**  
**CDSL DP Id - 12037500**

**POLICY FOR SURVEILLANCE**

Policy created by : Compliance Head	Policy created on : 01.10.2014
Policy approved by : Board of Directors	Policy approved on : 28.02.2025
Policy reviewed by : Internal Auditor	Policy reviewed on : 04.03.2025
Effective date of implementation	28.02.2025
Periodicity of Review	Yearly
Officer responsible for implementation : Compliance Officer/Designated Directors	Compliance Officer

Date	Communique No	Particulars
7th March,2013	NSE/INVG/22908	Surveillance Obligations for Trading Members
5th Feb, 2019	NSE/SURV/40148	Surveillance Obligations for Trading Members-update
1st July, 2021	NSE/SURV/48818	Surveillance Obligations for Trading Members-update
15th July, 2021	CDSL/OPS/DP/SYSTEM/2021/309	Surveillance Obligations of Depository Participant
20th June,2024	CDSL/OPS/DP/SYSTEM/2024/341	SOP for processing of surveillance alerts

## OBJECTIVE :

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze 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.

Policy framework is in accordance to the business model of Prabodh Artha Wardhini Pvt. Ltd. (hereinafter refer to as PAWPL ) i.e. Trading activity (Member of NSE) and DP related activity (DP of CDSL), Number of registered clients, active clients and dormant account holders, client base i.e. Non-Institutional clients and Individual clients to whom facility to place the order via telephone or personal visit to the office where the trading terminals are located and the volume of transactions from the clients. For the effective monitoring of the volume of transactions, action on the alerts generated, review and disposal of alerts the surveillance policy is prepared.

## EXCHANGE ALERT`

The surveillance policy shall cover the maintenance and disposition of following alerts received from exchanges/generated at our end. (C-22908)

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

## **ALERTS TO BE MONITORED RELATED WITH TRADING OPERATIONS :-**

Unusual trading activity: Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity over a period of time say fortnight/month/quarter and this increases by certain threshold limit of more than 50% as compared to the earlier period of same duration, we have review and conduct a analysis on parameters such as;

- a. Whether such volume is justified give the background of the client and his past trading activity.
  - b. Amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
  - c. Whether such inflow of funds is in line with the financial status of the client.
  - d. Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price and or volumes.
2. If an inactive client resumes trading resumes trading in illiquid stocks or low market capitalized scrips or enters into huge transactions not to commensurate with the financial strength of the client, it should be reviewed and examined the reasons for trading in such scrips/contracts
  3. Clients/Group of Client(s), deal in common scrips - We need to review and examine various points like reasons for trading in such scrips/contracts, whether there is any concerted attempt by to impact the prices and whether there is any concerted attempt to indulge in movement of profit/loss from one client to another.
  4. Activity of Client(s) or a group of Client(s) is concentrated in a few illiquid scrips/contracts or there is a sudden activity by Client(s)/Group of Client(s) in illiquid securities/contracts manifested in terms of volume as compared to the volume of the exchange or that of the Trading Member it is required to be reviewed and examined thoroughly and if found suspicious, it should be reported to the Director of the company immediately for further action.
  5. Client(s)/Group of Client(s) dealing in scrip in minimum lot size - We need to review and examine reasons for such trading behavior, trading pattern and repeated instances
  6. In accordance to the list of illiquid scrips/contracts provided by exchanges it is required to review and examine the probable matching of transactions. It needs to be examined whether there trading is sudden trading or there is any concerted attempt to impact the prices of such scrips/contracts and to indulge in movement of profit/loss from one client to another.
  7. Circular trading- Client/group of clients trading in particular scrip over a period of time or transactions of clients contributing significant volume in a particular scrip – especially illiquid scrip/contracts or the possible matching of trades with a specific group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip etc.) or possible reversal of trades with the same group of clients (like same trade number on both buy and sell side of a member and/or immediate execution of order in illiquid scrip)

8. Trades being executed at prices significantly away from the market and later on squaring off to earn significant profits.
9. Reversal of Trades- Same Clients on both sides of the transaction. (i.e. same trade number on both the buy and sell side with us) or Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days or One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options.
10. Front Running- Trading, by Client employees, ahead of large buy/sell transactions and subsequent square off has to be identified and such transactions have to be reviewed for determining front running or there is a consistent pattern of Client employees trading ahead of large buy/sell transactions.
11. Concentrated positions in the Open Interest/high turnover concentration: Client having significant position in the total open interest in particular scrip or Client trading in the scrip which is in ban period or Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.
12. Order book spoofing i.e. large orders away from market- Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract or repeated pattern of placement of orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.

**ALERTS TO BE MONITORED RELATED WITH DP OPERATIONS :-**

- 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.

11 Any such alert which feels of suspicious nature to the DP.

On receipt of the above information, analyse the alerts generated with own judgement and in case of any adverse findings/comments or abnormal transactions, the same shall be communicated to the Exchange and CDSL within 30 days from the disposal of alert generation.

### IN-HOUSE ALERTS

1 Report on Delivery above Rs.25,00,000/- & turnover above Rs.1,00,00,000/- Placement of large orders with the delivery turnover contributing in value terms above Rs. 25,00,000/- and trading turnover in terms of value above Rs.1,00,00,000/- for all segments to be generated. Thereafter RMS team does the trade/ledger confirmation with the end client and accordingly updates the compliance team.

2 CASH Excess Volume (more than 5% of market volume) (equity segment) Trades in equity segment contributing to more than 5% of the exchange volume are generated.

3. Illiquid scrip (equity segment) Trades in equity segment for the illiquid scrips (which have been identified as illiquid by exchange) will be analyzed and evaluated.

4 F&O Profit/Loss & Futures Rate Fluctuation (equity derivatives) - Trades in equity derivatives for the above referred parameter which are generated in case of clients executing trades at price above 20% of the previous closing price and or incurring huge profits or losses are generated.

For the records generated under this alert are evaluated in case of any suspicious pattern observed.

5 F&O Excess Volume (more than 5% of market volume)- Trades in derivatives are generated in case more than 5% of market volumes. For the records generated under this alert are evaluated visa-vis the strike price, maturity date of the contract, type of derivative contract, underlying etc are analyzed and evaluated.

In case the name of any new client appears in this report and / or comes again in the report after a period of 15 days, then compliance officer informs about the said trade details to the management of PAWPL for taking further needful action.

6 Matching of Trades –The trades which get matched at member or client level are generated under this alert. The records so generated, comparison is done to ascertain whether they have been carried out from the same trading terminal or same location or for group of same family codes.

7. Delivery Tracker: This report provide the trades of the clients who take delivery above Rs.1,00,00,000/- in value terms or all delivery above 1,00,000/- in quantity terms (this limit is to be revised from time to time on case to case basis.)

9 Module on Online Ban Scrip Position Tracker: This report provides the records in case any client takes position in "Ban" security, then we can come to know via this pop up that position is open and may attract penalty in case position is carried further.

10 Module on Unregistered/Inactive Client Trade: This report shows that in case any client is inactive as per our back-office software or not registered, in spite of which trade is done the details can be ascertained via trading terminal and can be stopped from further trading and to complete the reactivation/registration process as the case may be.

11 Module on Spurt in volume: This reports provide the records of the trades in which there is any sudden increase in volume in comparison with 2 weeks average exchange volume.

12 Trading not to allow the clients who are in ban clients list published by SEBI/Exchanges.

13 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. 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.

14 Clients who have debit balance in their ledgers continuously for a certain period of time or who default in making payment/delivery. This is monitored by our RMS team who dedicated does follow up with the clients and also restricts from further trading.

15 Bulk deals have been disclosed/reported; illiquid scrips/contract or derivatives scrips which are in ban period. Trading activity in such scrips may be analyzed for Client.

#### **STEPS TO REVIEW AND DISPOSE THE ALERT:**

In accordance with the reference circular issued by National Stock Exchange and Central depository services limited to maintain the records of the transactional alerts received from exchanges/depository or generated at our end, the following steps would be taken to review and dispose the alerts –

1. Review the type of alert downloaded by exchange/depository or generated at our end
2. Financial details of the client
3. Past trading pattern of the clients/client group
4. Bank/demat transaction details
5. Other connected clients having common email/mobile number/address or any other linkages etc.
6. Other publicly available information

Apart from above, TM/DP will generate appropriate surveillance alerts at our end, to enable to monitor the transactions of their clients at their end as per the laid down surveillance policy. PAWPL is in process to develop the alert generation system on the following themes as well.

In order to have indepth analysis of the above transactional alerts, the following due diligence shall be taken:

**Client(s) Information:**

Due Diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review. Financial information also needs to be updated for all active clients and the following relevant documents pertaining to financial details to be obtained from clients.

1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for last 6 months
7. Copy of demat account Holding statement.
8. Any other relevant documents substantiating ownership of assets.
9. Self declaration along with relevant supporting.

Addition/ Modification of any parameter (correspondence address, contact details, email id, bank and beneficiary accounts) relating to client should also be updated immediately in the UCI database of exchange and the same shall be updated in back office also.

Based on the above information/documents, identification of groups / association amongst clients to identify multiple accounts / common account / group of clients would be established.

Groups to be formed on the basis of details of family/ group/ associate provided by clients during their registration or at the time of periodic review and on the basis of any authorization submitted by the client for adjustment of their balances.

**Analysis:**

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on the alerts received from the Exchange, the following information shall be sought from clients:

a. Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/ email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to funds and securities and other trading pattern.

b. Seek documentary evidence such as Bank Statement / Demat Transaction Statement or any other documents to support the statement provided by client.

1. In case of funds, Bank statements of the Client(s) / Group of Client(s) from where funds pay-in have been met, to be sought. Sources of funds in the bank statements to be verified. In case of securities, Demat account statements of the Client(s) / Group of Client(s) from where securities pay-in has been met, to be sought.

2. The period for such statements may 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, including the Bank / Demat statement, the observations shall be recorded for such identified transactions or Client(s) / Group of Client(s). In case of adverse observations, the same will be reported to the Exchange within 45 days of the alert generation. Extension of the time period from the Exchange will be sought, if required. In case the client does not cooperate or does not revert within reasonable period, Exchange to be informed based on the information available with the member.

#### Monitoring\* and Reporting:

The surveillance process shall be conducted under overall supervision of its Compliance Officer and based on facts and circumstances; he / she is required to take adequate precaution.

Designated directors /Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

A quarterly MIS shall be put up to the Board on the number of alerts generated, disposed and pending at the beginning of the quarter. Reasons for pendency shall be discussed and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

Internal auditor shall review this policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record their observations with respect to the same in the report.

#### Analysis:

In order to analyze the trading activity of the Client scrips identified based on above alerts, we can do the following: -

1. Shortlist Client for further analysis.
2. Seek explanation from such identified Client
3. Seek documentary evidence such as bank statement/demat transaction statements of last 6 months to 12 months period, to satisfy itself.
4. On the basis of information received from the client and after proper evaluation and analysis, we decide our steps for suspending code and or the scrip from further trading.

#### Reporting -

All action/analysis with respect the alerts generated should be completed within a reasonable time frame. The surveillance policy of the Trading Member to be approved by the Board of Directors

A daily reporting of the alerts to the designated director and principal officer / a quarterly MIS to the Board of Directors if there are alerts as to the number of alerts received, disposed off during the quarter and pending at the end of the quarter and the reasons for pendency should be discussed and appropriate action taken for disposing of the alerts.

The surveillance process to be conducted under overall supervision of its Compliance Officer/Principal Officer. Principal Officer under the PMLA directives/ Compliance Officer of the Company and their team would be to be responsible for all surveillance activities carried out for the record maintenance and reporting of such activities under the supervision of the Designated Director.

Internal auditor shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

This policy would be made available to the internal auditors and regulators during the course of audits or as and when demanded.

Certain few things we can implement provided the concerned departments monitor and keep track

1. Frequent instances of payment by Client(s)/Group of Client(s) in the form of cash equivalents like Demand Draft, Pay order etc. to be monitored for

2. When home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client or documents sent at its email/home/business address returned undelivered.

3. Having multiple accounts with the Trading Member and using different trading accounts alternatively.

4. Client frequently changing bank/ demat account.

#### **POLICY REVIEW AND APPROVAL :**

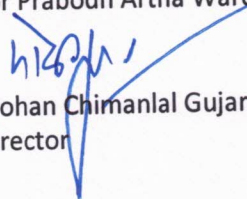
This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

This policy reviewed by the internal auditor from time to time shall be discussed with the Director of the company and the same shall be approved by the Board of PAWPL.

Policy communication:

Once the policy is approved by the Board of Directors of PAWPL, a copy of the approved policy shall be made available to Compliance officer, Risk Management Team and to DP Officer.

For Prabodh Artha Wardhini Pvt. Ltd.

  
Mohan Chimanlal Gujarathi  
Director

## Standard Operating Procedure (SOP) for Processing Surveillance Alerts for Depository Participant

1. **Purpose:** - To define the standard procedure for managing and processing surveillance alerts, generated both at the Depository Participant (DP) end and by Depository, ensuring timely, effective, and secure handling of alerts.
2. **Scope:** - This SOP applies to all surveillance alerts generated through Depository or internally by the DP. It establishes guidelines for alert generation parameters, response timelines, escalation procedures, and regular review requirements.
3. **Role and Responsibilities:** -
  - Compliance Officer: - Oversees SOP adherence, reviews alert parameters periodically, and ensures process improvement.
  - Alert Processor (Maker): - Identifies, reviews, and initiates the first level of alert handling.
  - Checker: - Conducts secondary review to validate alert handling and ensures actions meet compliance standards.
4. **Alert Generation Parameters:** -
  - 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.
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  - 5 Off-market transfers not commensurate with the income/Networth of the client.
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  - 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.

11 Any such alert which feels of suspicious nature to the DP.

**5. Procedures for Processing Alerts**

DP follows a Maker-Checker approach, with actions by the Maker validated by the Checker to ensure oversight and compliance.

- a. Alert Identification: Alerts are automatically generated by Depository or DP's internal systems based on predefined parameters.
- b. Initial Review (Maker): The Maker verifies alert details and assesses severity (low, medium, high).
- c. Investigation and Response: Conduct an initial investigation, potentially contacting the relevant account holders for verification.
- d. Final Review (Checker): Checker validates the actions taken by the Maker and confirms closure or escalation of the alert as necessary.

**6. Escalation Procedure**

If suspicious activity is confirmed, the alert is escalated to the Compliance Officer.

Compliance may conduct further investigation or request additional information.

**7. Resolution & Closure**

Alerts are categorized as: False Positives: Closed with documentation.

Genuine Alerts: Escalated for further action.

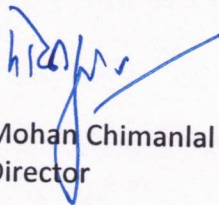
Compliance officer will do documents findings and, if required, reports the case to regulatory authorities.

Closure of alerts is logged with appropriate remarks and supporting evidence.

**8. Periodic Review**

Compliance Officer reviews the SOP and alert parameters yearly to ensure compliance and operational effectiveness.

For Prabodh Artha Wardhini Pvt. Ltd.



Mohan Chimanlal Gujarathi  
Director