

**Parwati Capital Market Pvt. Ltd.**

**Surveillance Policy**

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 and the company. 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 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.

**Background**

Indian Regulator Securities and Exchange Board of India, leading Stock Exchanges National Stock Exchange of India Limited ("NSE"), Bombay Stock Exchange Limited ("BSE"), Multi Commodity Exchange of India Ltd and leading Depository Central Depository Services (India) Ltd (CDSL) have put in place a mechanism that will generate automated alerts for Stock-Brokers & Depository Participants whenever suspicious transactions are detected in their clients' accounts. The alerts will be generated in case of unusual changes in the trading/delivery pattern of the clients, sudden trading/delivery in dormant accounts as also in suspected cases of circular trading, 'pump and-dump', "front running" and 'wash-sale' activities etc.

**Responsibility**

The Compliance Officer shall be responsible for the implementation and supervision of this Policy. The Compliance Officer shall take all necessary steps to analyse, monitor, document and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies. The Compliance Officer shall exercise their independent judgment and take adequate precautions to ensure implementation of an effective surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.

In view of the above, **Parwati Capital Market Pvt Ltd** shall frame policy based on nature of their trading operation, depository business, type of clients, number of trading as well as demat account, which shall inter alia cover the following. These will be reviewed periodically.



As Parwati Capital Market Pvt Ltd. is not dealing with Clients but if in near future company decides for client trading all effective surveillance mechanisms from the Exchange & SEBI will be taken care and below mentioned alerts based on the trading activities on the Exchanges will be checked:-

SL No	Transactional Alerts	Segments
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of clients deal in common script	Cash
4	Clients/Group of Clients is concentrated in a few illiquid scripts	Cash
5	Clients/Group of Clients dealing in script in minimum lot size	Cash
6	Clients/Group of Clients concentration in a script	Cash
7	Circular Trading	Cash
8	Pump & Dump	Cash
9	Wash sales	Cash & Derivatives
10	Reversal Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest/ High Turnover concentration	Derivatives
13	Order books spoofing i.e. large orders away from market	Cash

### **Monitoring and Reporting**

For effective monitoring the Company

1. Within 30 days of alert generation shall dispose off the alert and any delay in disposition reason for the same shall be documented.
2. In case of any Suspicious or any Manipulative activity is identified the same will be mentioned in the register to be maintained for the purpose and will be reported to the stock Exchanges within 45 days of alert generations.

The Company shall prepare quarterly MIS and shall put to the Board of Directors on the number of alerts pending at the beginning of the quarter generated during disposed off during the quarter and pending at the end of quarter. Reasons for pendency shall be discussed and appropriate action shall be taken also the Board shall be apprised of any execution noticed during the disposition of alerts. The surveillance process shall be conducted under overall supervision of its Compliance Officer. Compliance Officer will be responsible for all surveillance activities carried out by the company and for the record maintenance and reporting of such activities.

Internal Auditor of the company 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.

As an active member of NSE/BSE/MCX and a depository participant of CDSL Parwati Capital Market Pvt.Ltd. will take necessary steps for generating Internal Surveillance alerts.



1. Certificate validation will be checked & proper steps to be taken before expiry of certificate.
2. Exposure as required considering the trading activities of dealers will be given.
3. Order Qty of each terminal to be limited via backend.
4. M2M to be checked via margin software.
5. Maximum Scripts which are listed in Futures can be traded.
6. Dealers profile to be maintained.

#### Client Due Diligence

Trading Member & DP needs to carry out Due Diligence of their clients on an ongoing basis. The accounts which are in dormant status should be checked and after proper KYC as prescribed by SEBI with latest information be updated and with proper documents should be made active for transfer of shares.

The Nature of Business of Parwati Capital Market Pvt. Ltd. is PROP only. No Client based trading is done, after 2022, no new DP accounts are opened.

#### 1. Generation of suitable Surveillance Alerts

Generation of suitable surveillance alerts- Following but not exhaustive alerts should be generated from our end.

Transaction Alerts- Trading	Transaction Alerts- Depository
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 market	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
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 script/contract as compared to market.	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
Client/group of clients dealing frequently in small quantities/minimum market lot in a scrip/contract	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
Disproportionate trading activity vs reported income/Net Worth.	Frequent Off-Market transfers by a client in a specified period
Frequent changes in KYC submitted by clients.	Off-market transfers not commensurate with the income/Net worth of the client.



Based on an announcement by 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.	Pledge transactions not commensurate with the income/Net worth of the client.
Client/group of clients having significant selling concentration, in the scripts, format part of "For information list", or "Current Watch list." For more details, kindly refer Exchange circular no. NSE/INVG/45517 dated 30.08.2020	Off-market transfers (High Value) immediately after modification of details in demat account
Consistency in Profit/Loss at client/group of clients' level rationale for such trading activities. In addition, trading member may also refer details given in exchange circular no. NSE/INVG/2019/40175 dated 07.02.2019	Review of reasons of off-market transfers provided by client for off-market transfers visà-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
Significant trading activity in scripts by client who has pledged the shares of same scrip.	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.
In case of concerns of trading activity of a client of group of clients in scrip, monitor whether the orders are being placed by respective clients or authorized representatives and monitoring client's address as per KYC as well as the dealing officer address.	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients
For Trading who are also Depository Participant - Significant trading activity in scripts where client has pledged shares or his significant holding or has frequent off market transactions.	
For Trading who are also providing internet based trading -Surveillance/monitoring of IP address of clients (including identification of multiple client codes trading from the same location.	



### Surveillance SOP

**Parwati Capital Market Pvt Ltd.** endeavours to frame this policy for surveillance of these alerts as well as alert generated from Back office and other systems and the manner of disposal of the same.

The Surveillance and disposal of the alerts shall be done on the following grounds:

**a. Receipt of "Alerts" from Exchanges / Depository/Generated at member's end.**

Downloading of Transaction Alerts: The Transaction Alerts provided by the Stock Exchanges/Depository and internally generated by the Back Office Software shall be downloaded by Back office team on a regular basis and the same shall be forwarded to the Designated Director and Compliance Officer.

**b.** Time frame for disposition of alerts and if there is any delay in disposition, reason for the same shall be documented.

The alerts so generated or received shall be disposed/closed/settled/verified/reported within 45 days from the date of alerts generated/received from Exchanges and within 30 days from the date of alerts generated/received for Demat transactions/Depository. In case the matter prolongs beyond 45 days the same should be reported to the Board of Directors, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Exchange/Depository, whenever required, under intimation to the Board of Directors.

**c. Suspicious / Manipulative activity identification and reporting process.**

Upon receipt of the above mentioned alerts/documents, the Compliance Officer and the Risk Management Team shall analyse the documents sought from the Client as well as the KYC & KRA of the Client and shall record the observations for such identified transactions or Client(s)/Group of Client(s).

**a.** Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account are required to be identified and should be reported accordingly.

**b.** Upon receipt of alerts, the same are to be forwarded to the concerned dealer/RM of the client(s) seeking an explanation/clarification from the client(s) reason behind carrying out such trade(s) in their accounts.

**c.** In addition to above, the Company also seeks documentary evidence from clients such as bank statement / updated financial statement.

**d.** In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought.

**e.** In case of securities, demat account statements of the Client(s)/ Group of Client(s) from which securities pay-in has been met, to be sought. 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.



- f. After analysing the documentary evidences, the Company should record its observations for such identified transactions or Client(s)/Group of Client(s).

In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation. In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Depository within 30 days of the alert generation in case of demat related transactions.

With respect to the alerts generated at the Participants end, Participants shall report instances with adverse observation, along with details of action taken, to CDSL within 7 days of the date of identification of adverse observation. Detailed procedure w.r.t reporting of alert by Participants will be provided separately.

#### **d. Record Maintenance**

The Compliance Officer shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities. The Compliance Officer shall be assisted by the Risk Management Team and the KYC & KRA Officer for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance Officer. Each alert received from the exchange / depository shall be backed by necessary supporting documentary evidence collected from clients, any other additional details as may be deemed fit may be captured and placed before the Board of Directors for review.

As per the company's Anti Money Laundering policy, the background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall be examined carefully & finding shall be recorded in writing. Documents & records should be made available to auditors & SEBI / Stock Exchanges / FIUIND etc. Records are required to be preserved for 5 years.

- e. Framework of appropriate actions that can be taken by the Participant as per obligations under Prevention of Money Laundering Act (PMLA).

In order to maintain the records of the transactional alerts received from the Exchanges/ Depositories or the one generated at our end, and to analyse the trading activity of the Client(s)/Group of Client(s) or scripts identified based on above alerts, based on the type of Alerts, the following steps might be taken to review and dispose of the alerts:

1. Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
2. Financial details of the client.
3. Past trading pattern of the clients/client group.
4. Seek documentary evidence such as bank statement/demat transaction statement or any other
5. Documents to satisfy itself

- In case of funds The Financial details of the client, Bank statements of the Client(s)/Group of Client(s) from which funds pay-in has been met, to be sought.



**6. Other connected clients having common email/mobile number/address or any other linkages etc.**

**7. Other publicly available information**

On receipt of the above information, after analysing the reply and evidences, the Company shall record its observations for such identified transactions or Client(s)/Group of Client(s) and in case of any adverse findings/comments/suspicion are observed, the same shall be communicated to the Exchange or any other regulatory, As desired by the Exchange Or depository Or any Regulatory, As per the time specified by the them. In case analysis is taking time due to complexity, an extension may be sought to review the alert(s).

## **2. Client Due Diligence**

1. The Company is required to carry out the Due Diligence of its client(s) on a continuous basis.
2. The Company shall ensure that key KYC parameters are updated on a continuous basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.
3. Based on KYC and updated information the Company shall establish groups/ association amongst clients to identify multiple accounts / common account/ group of clients.

The following Financial information also needs to be updated and monitored for all the active F&O 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

## **3. Monitoring and Reporting**

The compliance officer would be monitoring the policy from time to time based on the guidelines of Regulators, Internal controls and the requirements of the business to safe guard the system.

A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and 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 Board shall be apprised of any exception noticed during the disposal of alerts.

Internal auditor of Participant 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.



Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.

Trading/Member/Participants are also required to provide duly approved status of the alerts on a quarterly basis, in the following format to Exchanges/CDSL within 15 days from end of the quarter.

**a. Status of Alerts generated by the Depository / Exchanges :**

Name of Alert	Opening Balance of alerts at the beginning of the quarter (A)	No. of alerts generated during the quarter (B)	Total no. of alerts (C=A+B)	No. of alerts closed during the quarter (D)	Alerts pending at the end of the quarter (E = C-D)	Ageing analysis of the alerts pending at the end of the Quarter (since alert generation date) (Segregation of E column)					Reason for pendency#
						< 1 month	1-2 months	2-3 months	3-6 months	> 6 months	

Name of Alert	No. of alerts pending at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & closed in the quarter	No. of alerts reported to Depository	No. of alerts pending for process at the end of quarter

**b. Details of any major surveillance action taken (other than alerts reported to Exchange/ Depository), if any, during the quarter**

Sr. No.	Brief action taken during the quarter

**c. Trading Member/Participant who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter**

The above details shall be uploaded by the Participants on CDSL Portal/Member Surveillance Dashboard of Exchanges.

In case of late / non-submission of these quarterly report of the alerts generated by Trading Member/ Depository Participant as mentioned above, Trading Member/Depository Participant shall be liable for penalty. In view of the same, it should be ensured that submission to exchanges/Depository is being made on timely basis.



#### **4. Review**

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

The Director/Compliance Officer 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.

#### **5. Approval Authority**

This surveillance policy is as approved by the Board of Directors at its Board Meeting on 06<sup>th</sup> June, 2024.

