**Surveillance Policy**

**SPS SHARE BROKERS PRIVATE LIMITED**

**6/6/2025**

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# SURVEILLANCE POLICY

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1. **Preface**

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. In Securities Market, it is imperative to have in place an effective market surveillance mechanism in order to alert the customers with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements and steps initiated by brokers in case of changing market situations. With a view to enhance customer knowledge, ensure investor protection and safeguard integrity of the markets, the intermediary has devised a comprehensive Surveillance Policy to make sure that customers are aware of the criteria based on which the intermediary monitors risks and initiates actions to safeguard the interest. This policy is made as per circulars issued by SEBI, Exchange and Depository for surveillance which are to be implemented by the intermediary and all the employees are required to follow the same and take due care for its proper implementation. The policy is made to facilitate effective surveillance mechanism in the organization.

1. **Generation of transactional alerts**

The intermediary shall download the alerts based on the trading activity of the client from the Exchanges / Depositories and Internal alerts generated from Back office/Other software. The Compliance officer will have to analyze these alerts and seek client information and other documentary evidences and submit the same to the Exchange/Depositories within the prescribed time limit.

Following are the alerts to be covered in surveillance:

| **Sr. No** | **Alerts** | **Applicable to transactions on - Exchange/Depository** | **Alert generated by – Exchange/Depository/ Intermediary** |
| --- | --- | --- | --- |
| 1 | Significant increase in client activity | Exchange | Exchange |
| 2 | Clients/Group of Client(s) dealing in common scrips | Exchange | Exchange |
| 3 | Client / group of clients dealing frequently in small quantities / minimum market lot in a scrip / contract. | Exchange | Exchange |
| 4 | Client(s)/Group of Client(s) concentration in a scrip | Exchange | Exchange |
| 5 | Circular Trading | Exchange | Exchange |
| 6 | Pump and Dump | Exchange | Exchange |
| 7 | Wash Sales | Exchange | Exchange |
| 8 | Front Running | Exchange | Exchange |
| 9 | Concentrated position in the Open interest/ High Turnover concentration | Exchange | Exchange |
| 10 | Order Book Spoofing i.e. large orders away from market | Exchange | Exchange |
| 11 | Sudden trading in dormant account | Exchange | Exchange |
| 12 | Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location). | Exchange | Exchange |
| 13 | Client / group of clients having significant selling concentration, in the scrips, forming part of ‘For Information list’ or ‘Current Watch list’. | Exchange | Exchange |
| 14 | Significant trading activity in scrips by client who has pledged the shares of same scrip | Exchange | Exchange |
| 15 | In case of concerns of trading activity of a client / group of clients in 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. | Exchange | Exchange |
| 16 | Consistency in profit / loss at client / group of clients’ levels, rationale for such trading activities. | Exchange | Exchange |
| 17 | Client / group of clients with new account or clients dealing after a significant time gap, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market. | Exchange | Exchange |
| 18 | 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. | Exchange | Exchange |
| 19 | 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. | Depository | Depository |
| 20 | Reversal of Trades/Off-market transfers | Exchange and Depository | Exchange and Depository |
| 21 | Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients. | Exchange and Depository | Exchange and Depository |
| 22 | Client(s)/Group of Client(s) trades in few illiquid scrips vs market volume | Exchange | Exchange and Intermediary |
| 23 | Client / group of clients, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market/ Gross value of turnover above a threshold limit (Example - Rs. 100 lakhs) for a single day segment-wise | Exchange | Exchange and Intermediary |
| 24 | Off-market transfers (High Value) immediately after modification of details in demat account | Depository | Depository and Intermediary |
| 25 | Pledge transactions not commensurate with the income/Net worth of the client. | Depository | Depository and Intermediary |
| 26 | Trading activity / Off-market transfers not commensurate with the income/Net worth of the client. | Exchange and Depository | Exchange, Depository and Intermediary |
| 27 | 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 | Exchange and Depository | Exchange, Depository and Intermediary |
| 28 | Gross brokerage of client above a threshold limit - Say Rs. 25,000 for a single day across segments | Exchange | Intermediary |
| 29 | Gross value of turnover above a threshold limit (Example - Rs. 100 lakhs) for a single day segment-wise | Exchange | Intermediary |
| 30 | Client having intra-day profit/loss more than Rs. 50,000-1,00,000 | Exchange | Intermediary |
| 31 | Trades in shares where price change is more than a specific threshold (Example - 20%) | Exchange | Intermediary |
| 32 | Broker share in the exchange more than specific threshold (Example - 50%) | Exchange | Intermediary |
| 33 | Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced | Exchange and DP | Intermediary |
| 34 | Frequent changes in KYC details of trading / demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc. | Exchange and Depository | Intermediary |
| 35 | 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 | Depository | Intermediary |
| 36 | Frequent Off-Market transfers by a client in a specified period | Depository | Intermediary |

The above alerts can be modified to add any other type of alerts as and when required.

1. **Process of review and disposal of alerts**
2. The surveillance process shall be conducted under overall supervision of the Compliance Officer and he/she shall be the designated official tasked with the review, processing and disposal of alerts.
3. 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 wherever required.
4. If the designated official after due diligence and making such inquiry, as such official finds necessary, comes to a conclusion that the given alert warrants an action, the official will forward the same with his/herviews to the Director in-charge of Compliance for his/her approval.
5. The intermediary shall obtain trading rationale and necessary documentation including bank/demat statements for analysing/processing the alerts.
6. After analyzing the documentary evidences, the intermediary shall record its observations /frame its opinion for such identified transactions for clients/group of clients.
7. The Intermediary shall close the alerts and report the status of the same to the Exchanges/Depositories within the following timelines:

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Exchanges** | **Depositories** |
| Transactional alerts received from the Exchange/Depository | Within 45 days of alert generation | Within 30 days of alert generation |
| Transaction generated at Intermediary's end | Report instances with adverse observation, along with details of action taken, to Exchange within 45 days of alert generation | Report instances with adverse observation, along with details of action taken, to Depository within 7 days of the date of identification of adverse observation. |

1. **Documentation of reasons for delay in disposition of alerts**

In case adverse observations/alerts are recorded, the same shall be reported to the Exchanges/Depositories within the prescribed timelines. In case there is delay, the intermediary shall seek extension of the time period from the exchange/depository after giving proper reason for delay.

1. **Suspicious/Manipulative activity identification**

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 bereported accordingly.In case of any alerts, being received either from the Exchange / Depository or generated at the intermediary’s end, the following measures shall be taken/documents shall be reviewed:

* Review the type of alert received from the Exchange/Depository or generated at the intermediary's end.
* Financial details of the client.
* Past trading pattern of the clients/client group.
* Bank/Demat transaction details.
* Other connected clients having common email/mobile number/address or any other linkages.
* Other publicly available information
* Private enquiries

After the above analysis of the transactions/alerts, the intermediary shall identify the suspicious/manipulative transactions of any of the Client(s)/Group of clients, if any and shall report the same to the Exchange/Depository within the prescribed time limit.

1. **Framework of appropriate actions to be taken as per/ in addition to obligations under the Prevention of Money Laundering Act (PMLA)**
2. In order to have in-depth analysis of the alerts/suspicious transactions, the following due diligence shall be taken based on the following parameters:

**Client(s) Information:** Due diligence of clients shall be done on a continuous basis. Further, **the intermediary** shall ensure that key KYC parameters are updated on a yearly basis and latest information of the client is in updated Unique Client Code (UCC) database of the Exchange/ Depository and the same shall be updated in Back office as well. Based on this information, the intermediary shall establish groups/association amongst clients to identify multiple accounts/common account/group of clients. Further, Clients trading in derivatives segment of the Exchanges, shall furnish any of the following relevant documents pertaining to financial details on a yearly basis:

• Copy of ITR Acknowledgement

• Copy of Annual Accounts

• Copy of Form 16 in case of salary income

• Net Worth Certificate

• Salary Slip

• Bank account statement for last 6 months

• Copy of demat account Holding statement

• Any other relevant documents substantiating ownership of assets

•Self-declaration along with relevant supporting

1. The intermediary may suspend a client's trading/demat account(s) due to any internal surveillance (if client indulges into manipulative trade practice)/ regulatory orders (debarring orders).

1. **Obligations of Compliance officer/Internal auditor and Quarterly reporting:**
2. For effective monitoring, the intermediary shall maintain a register which shall record time frame for disposition of alerts, the findings, and if there is any delay in disposition, the reasons for the same, etc.
3. The surveillance process shall be conducted under overall supervision of the Compliance Officer and based on facts and circumstances he is required to take adequate precaution. The Compliance Officer shall be responsible for all surveillance activities and for the record maintenance and reporting of such activities.
4. The intermediary shall prepare quarterly MIS and shall put to the Board of Directors the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action shall be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.
5. Internal Auditor of the Intermediary shall review its 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 DP.
6. The intermediary shall provide duly approved status of the alerts to the Exchanges / Depository within 15 days from the end of the quarter as per the prescribed formats.
7. **Record maintenance**

The intermediary shall maintain and keep all such records and documentary evidences that has been analyzed/taken by it either in soft copy or in hard copy for the time period as prescribed by the regulatory authority, specified in Annexure to the policy. The same shall be produced as and when asked by the regulatory authority.

1. **Policy review**

This policy shall be reviewed by the Board of directors/Partners on a periodic basis and at least once a year. Any necessary changes shall be introduced as and when it is found necessary due to business needs and the same shall be communicated to the Compliance officer. The Compliance Officer shall make necessary modifications communicated to him and hence the new modified policy shall come into effect.

# Annexure

The intermediary shall maintain records and documentary evidences for the following minimum period under various regulations/laws:

|  |  |  |
| --- | --- | --- |
| **Under Regulations/laws** | **Exchange** | **Depository** |
| Prevention of Money Laundering Act, 2002 | 5 years | 8 years |
| SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 | 5 years | - |
| SEBI (Depositories and Participants) Regulations, 2018 | - | 8 years |