

Aionion Capital Market Services Private Limited

Surveillance Policy for DP

Background:

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 order to achieve this and to create safer markets, **Aionion Capital Market Services Private Limited** would have in place adequate surveillance policies and system in order to monitor suspicious/manipulative transactions and curb such activities, if any.

Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in DP of the NSDL / CDSL Depository where the Firm is registered as a Depository participant this Surveillance Policy is being formulated in compliance and/or as mandated by Securities and Exchange Board of India and Depository.

Responsibility:

The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

The DP Executives, Compliance Executives, Surveillance executive and back office executives shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.

The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the relevant Depository and/or regulatory bodies, in a time bound manner, as detailed here under and/or as mandated by Depository and/or regulatory bodies.

The Compliance Officer shall 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.

The Internal Auditor of the firm, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

The Designated Director / Partner / Proprietor shall peruse, review and provide necessary guidance with regard to the “Surveillance Policy”, periodically, for strengthening the processes.

Obligation to generate Surveillance Alerts:

DP to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients. The indicative themes on which DP may formulate their own alerts are as under. The DP also need to analyses patterns and trends with respect to different themes. DP shall put in place system to generate these alerts and obtain the approval of its Board in its next meeting.

Sr. No.	Indicative themes:
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/Net worth of the client.
6	Pledge transactions not commensurate with the income/Net worth 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

The above-mentioned alerts may be generated based on some threshold/parameters and are illustrative and not exhaustive. DP need to review these alerts based on facts and verification of relevant documents including income/net worth as provided by Client. Further, DP are required to exercise their independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions. If there will any abnormal or suspicious transactions

same will be reported CDSL/ FIU ore respective regulatory bodies.

Obligation of DPs to generate additional surveillance alerts

1	Due diligence and BO verification of client before executing transaction in BO's demat account of BO of certain age i.e. more than 75 years
2	Alert for high value transaction (debit/credit) in BO's account which doesn't reflect in accordance to his/her income range/net worth provided by the BO.
3	Flagging client as High risk client where Owner of Demat account & management of Demat account are handled by different personnel i.e. Corporate, LLP/partnership firm
4	Yearly evaluation client's Risk profile based on activity in its demat account pertaining debit-credit, off market transaction, modification, pledge etc.
5	Marking demat account under high risk category where such account is operated through POA holder

Obligation regarding Client due diligence:

The following activities shall be carried out by DP for client due diligence.

DP shall to carry out the Due Diligence of their client(s) on an on-going basis.

The Alerts provided by the Depositories and internally generated shall be downloaded by "the compliance Team" on a regular basis and the same shall be forwarded to the Compliance Officer and Compliance Officer under assistance of director / Principal officer monitor and close all alerts and reports under check and maker mechanism.

The "Compliance Team" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in Depository database system of the respective depositories. Based on available information, the Depository Participants shall establish groups / association amongst clients, inter-alia, to identify multiple accounts / common account / group of clients.

Obligation to w.r.t. Processing of Alerts:

DP shall maintain register (electronic/physical) for recording of all alerts generated.

While reviewing alerts, DP shall obtain transaction rationale, verify demat account

statement and also obtain supporting documents as required from the client.

After verifying the documentary evidences, Participants shall record its observations for such identified transactions of its Client.

With respect to the transactional alerts to be provided by Depository, DP shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the NSDL / CDSL portal.

With respect to the alerts generated at the DP end, DP shall report instances with adverse observation, along with details of action taken, to NSDL / CDSL within 7 days of the date of identification of adverse observation. Only not genuine in nature or abnormal or suspicious alerts will report to NSDL / CDSL portal. If alerts found genuine in nature shall not be reported to NSDL / CDSL / FIU portal.

Obligation of Compliance officer and Internal Auditor/Concurrent Auditor:

The surveillance activities of DP shall be conducted under overall supervision of Compliance Officer

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 DP.

Obligation of Quarterly reporting of status of the alerts generated:

In order to comply with the SEBI & Depositories circular, DP are required to provide duly approved status of the alerts on a quarterly basis(MIS), in the prescribed format to NSDL / CDSL within 15 days from end of the quarter by the designated compliance team in accordance with depositories circular NSDL - NSDL/POLICY/2021/00720 dated 15 Jul 2021 & CDSL - CDSL/OPS/DP/SYSTM/2021/309 dated 15 Jul 2021.

DP who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.

Reporting to respective depositories and other authorities as applicable, in case of any abnormal activity

The above details shall be uploaded by the DP on respective DP Portal.

Record Maintenance & Reporting:

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 DP team and the Risk Management Team 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 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 Designated Director / Partner / Proprietor for review.

In case the matter prolongs beyond prescribed limits the same should be reported to the Designated Director / Partner / Proprietor, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Depositories, whenever required, under intimation to the Board of Designated Director / Partner / Proprietor.

Further, the records mentioned in above have to be maintained and preserved for a period of eight years from receiving such alert from the exchanges.

Framework of appropriate actions as per obligations under Prevention of Money Laundering Act (PMLA):

Depository activity involves transfer of securities which have monetary value. As such, Depository activity has been brought within the purview of the PML & CFT Policy. KYC norms for opening accounts shall be followed in Depository. In order to ensure monitoring of alerts the procedures as laid and enshrined in "Procedure & Process Flow Manual for Prevention of Money Laundering Surveillance & Risk Assessment" shall be adhered and strictly implemented.

- Clients whose identity verification seems difficult.
- False identification documents.
- Identification documents which could not be verified within reasonable time.
- Doubt over the real beneficiary of the account
- Client appears not to co-operate.
- Sudden activity in dormant accounts.
- Client having suspicious background or links with known criminals.

Review Procedure:

In order to ensure the effectiveness of the policies and procedures on the Surveillance Obligations, it shall be reviewed once in every year and as and when required to incorporate the additions, changes, modifications etc., as directed by regulator and such changes shall take place from their effective date.

The Compliance Officer shall be responsible to ensure that as and when the policy is reviewed or updated, the same is consistent with the applicable laws and rules of the exchanges and to bring all the significant changes in the said policy to the notice of Designated Director / Partner / Proprietor and place the reviewed policy before the Board for its adoption.