

SURVEILLANCE POLICY

Applicability:

The policy is framed in accordance with the provision of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2021/22 dated 01.03.2021, CDSL communique No. CDSL/OPS/DP/SYSTEM/2021/309 dated 15.07.2021/ COMMUNIQUÉ no. CDSL/OPS/DP/SYSTEM/2024/341 dt. June 20, 2024. The said policy has been approved by the Board of Directors in Board Meeting held at the Registered office of the company on 25.07.2024.

In order to further strengthen the Surveillance framework for the Securities Market, all Participants are hereby advised to put in place a surveillance framework, which shall cover the following:-

What is Surveillance?

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 ensure investor protection and to safeguard the integrity of the markets, it is imperative to have in place an effective market surveillance mechanism. The main objective of the surveillance function is to help maintain a fair and effective market for securities.

Therefore, we have decided to undertake adequate measures for ensuring effectiveness and efficiency of the trading and depository system. The Company with the above motive in mind has framed Surveillance policy focusing on:

- i. To establish a surveillance mechanisms and controls in the operations /trading activity
- ii. To put in place appropriate controls for the detection and reporting of suspicious trading activities in accordance with applicable laws/laid down procedures.
- iii. To comply with applicable laws and regulatory guidelines.

Surveillance Policy for operations as Depository Participant:-

Depositories are providing transactional alerts on biweekly basis based on threshold defined by NSDL / CDSL to the all the DPs report download utility. As per applicable Circular, the company 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.

In addition to the same, company has identified various Surveillance parameters in respect of its operations as Depository Participant to generate alerts as per guidance provided in NSDL / CDSL Circulars based on following criteria:-

- a. Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details/ address. While reviewing BO account details, the details of existing BO shall also be considered.
- b. Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
- c. BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, bank details, POA holder, Authorised Signatory etc. at least twice in a month.
- d. Frequent off-market transfer of securities more than twice in a month without genuine reasons.
- e. Off-market transactions not commensurate with the income/ networth of the BO.
- f. Pledge transactions not commensurate with the income/networth of the BO.
- g. High value off-market transfer immediately after modification of either email ID/mobile number/ address without genuine reason.
- h. Review of reasons for off-market transfer provided by the BO which appears non-genuine based on either 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.
- i. Sudden 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 an active account with regular transaction suddenly becomes dormant.

Obligation of Depository Participants

Ganesh Stockinvest Pvt. Ltd. has framed a surveillance policy based on nature of depository business, type of clients, number of Demat accounts, number of transactions etc. which, inter alia, cover the following: -

- c. Disposal of alerts within 30 days from the date of alerts generated at Participants end and alerts provided by NSDL/CDSL. Documentation of reasons for delay, if any, in disposal of alerts.
- d. Reporting to NSDL/CDSL and other authorities as applicable in case of any abnormal activity.
- e. Review and disposal of transactional alerts provided by NSDL/CDSL. However, Ganesh Stockinvest Pvt. Ltd. may describe its own parameters to generate additional alerts of their own.
- f. Record maintenance for the period as stipulated under applicable statutes.

- g. The surveillance policy of the Participants shall be reviewed once in a year.

Client due diligence (CDD):

The CDD measures comprise the following:-

- a. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- b. Verify the client's identity using reliable, independent source documents, data or information;
- c. Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted;
- d. Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);
- e. Understand the ownership and control structure of the client;
- f. Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds;
- g. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.
- h. Participant will carry out the Due Diligence of their client(s) on an on-going basis.
- i. Participant shall ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in Depository System.

Reliance on third party for carrying out Client DueDiligence (CDD)

- i. Ganesh Stockinvest Pvt. Ltd. should rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- ii. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Safeguards on Acceptance of clients

The following safeguards are to be followed while accepting the clients:-

No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We identify the client whether he is debarred entity or not?

We must verify all the documents submitted in support of information filled in the KYC form with the originals and in-person verification should be done by our own staff.

In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the clients.

We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ ownership, companies dealing in foreign currency, overseas in high-risk countries, non-face to face clients, clients with dubious background. Current/Former senior high-profile politician,

Companies offering foreign exchange, etc.) or clients from high-risk countries or clients belonging to countries where corruption/fraud level is high. Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category.

Processing of Alerts:

Ganesh Stockinvest Pvt. Ltd. will process the Alerts in the following manner:-

- a. Ganesh Stockinvest Pvt. Ltd. will maintain register (electronic/physical) for recording of all alerts generated.
- b. While reviewing alerts, Participant shall obtain transaction rationale, verify demat account statement and also obtain supporting documents as required from the client.
- c. After verifying the documentary evidences, Participants shall record its observations for such identified transactions of its Client.
- d. Transactional alerts to be provided by Depository, Participants 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 e-PASS portal. The procedure w.r.t sharing of alert by NSDL/CDSL with Participants and report submission by Participants in this regard will be provided separately.
- e. With respect to the alerts generated at the Participant end, participant 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.
- f. The designated officials who are tasked to review the alerts on daily basis shall review the same.
- g. 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.
- h. 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 temper proof and the access is available on to designated officials under the supervision of the Compliance Officer.
- i. 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

NSDL/ CDSL and/or discontinue the relationship with the client.

**Obligation of Compliance officer and Internal Auditor/
Concurrent Auditor of the Participants:**

- a. The surveillance activities of DP operations shall be conducted under overall supervision of the Compliance Officer.
- b. The policy implemented in accordance with the provisions of Prevention of Money Laundering Act, 2002 and rules made thereunder as Reporting Entity.
- c. 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.
- d. 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.
- e. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Participant.

REPORTING OF ALERTS

The Company shall provide duly approved status of the Alerts on a Quarterly basis to the exchange in the format prescribed by the exchange within 15 days from the end of the quarter.

In case zero alert during the quarter, NIL report need to be submit to the exchange as per the prescribed format.

As per COMMUNIQUÉ no. CDSL/OPS/DP/SYSTEM/2024/341 dt. June 20, 2024, DPs are required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients at their end as per the laid down surveillance policy. Further DP has obligation of reporting the status of alerts generated to CDSL in the below format:-

| 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 | >6months | |
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reason for pendency is required to be provided for outstanding alerts in each bucket of age

In case “Ganesh Stockinvest Pvt. Ltd.” does not have anything to report, a “NIL Report” shall be filed within 15 days from the end of the quarter. The above format will come in effect from September 30, 2024.

Review of Policy:

The Surveillance Policy is reviewed on 25.07.2024 by the Compliance Officer and presented at Board to ensure that the same is updated in line with market trends, updated regulations and practices.

Saroj Kumar Mishra
Compliance Officer