

SURVEILLANCE POLICY

CENTRICITY SECURITIES PVT. LTD.

DP- NSDL & CDSL

Background

In order to strengthen the Surveillance framework for the Securities Market & Depositories i.e. NSDL and CDSL vide their circular no. NSDL/POLICY/2021/0072 and CDSL/OPS/DP/SYSTEM/2021/309 dated July 15, 2021 respectively directed all Depository Participants (DPs) to put in place a surveillance framework / mechanism that will generate automated alerts for Depository Participants [DPs] whenever suspicious transactions are detected in their clients' accounts.

Policy Objective

In view of the above, We, **Centricity Securities Pvt. Ltd. (Depository Participant of NSDL & CDSL)** framed the policy for generation and monitoring of the surveillance alerts on effectively.

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

1. Receipt of transaction alerts from depositories i.e. NSDL & CDSL.
2. Receipt of transaction alerts generated at Depository Participant [DP]'s end.
3. Time frame for disposition of alerts and its documentation.
4. Identification of Suspicious activity and reporting process.
5. Record Maintenance.

Obligation of generation of surveillance alerts

DP has framed the surveillance system, where the alerts shall generate from the system at their end and monitor the same as per the laid down the policy.

List of items where alerts are to be generated from the system: -

Sr. No.	Indicative Scenarios
1	Multiple Demat Accounts Opened with same demographic details
2	Alert for communication sent on registered Email id/address of clients are getting bounced
3	Frequently Changes in Client Master
4	Frequent Off-Market transfers by a client
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	Frequent transfers with reason code Gifts/Donation/Off Market Sale to unrelated parties
9	Alert for newly opened accounts and suddenly holding in demat account becomes zero
10	Off Market transfer to Unrelated Accounts
11	Suspicious Off Market Credit and Debit
12	Off Market Delivery in Unlisted Scrip
13	Gift Donation Related Off Market Transfer
14	Off Market Transfer at Variance with Market Value
15	Off Market Transfer in suspicious scrip
16	Suspicious Closure of Account

The above scenarios are illustrative and not exhaustive. DP shall analyze and review these alerts based on facts and verification of relevant documents including income/networth as provided by client.

Client due diligence

1. DP shall carry out the due diligence of its client(s) on a continuous basis.
2. DP 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 Depository System

Reporting the status of alerts generated by DPs

- DP shall maintain register (electronic/ physical) for recording of all alerts generated.
- While reviewing alerts, DP shall obtain transaction rationale, verify demat statement and also obtain supporting documents as required from the client.

- After verifying the documentary evidence, DP shall record its observations for such identified transactions of its Client.
- With respect to the transactional alerts 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 as per prescribed procedure.
- With respect to the alerts generated at DP end, DP shall report instances with adverse observation, along with details of action taken, to Depository within 7 days of the date of identification of adverse observation as per prescribed procedure.

Record Maintenance

As per PMLA policy, DP shall preserve the records and documents for a minimum period of 8 years
- Reference SEBI circular no. SEBI/HO/MRD2/DDAP/CIR/P/2020/153 dated August 18, 2020.

Maintenance of MIS

A quarterly MIS shall be placed before the Board on the number of alerts generated during the quarter, disposed off during the quarter and pending at the end of the quarter.

Review of Policy

This Surveillance Policy is subject to the review of the Internal Auditor of the Company, who shall verify its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor may record the observations with respect to the same in their report.