

Surveillance Policy for Depository Participants

Introduction

This Surveillance Policy outlines the obligations and framework that DB (International) Stock Brokers Limited (the "Depository Participant" or "DP") shall implement to fulfill its surveillance obligations as per the circular issued by CDSL. This policy aims to ensure the effective monitoring of client transactions and the identification of suspicious activities, thereby promoting integrity in the securities market.

A. Policy Framework

1. Surveillance Alerts

- The DP has installed additional software to generate surveillance alerts based on the indicative themes outlined in Section B of CDSL communiqué CDSL/OPS/DP/SYSTEM/2021/309 dated July 15, 2021. The threshold limit for alert generation annexed with Standard operating procedure for handling surveillance alerts.

2. Review Process

- Transactional alerts provided by CDSL will be reviewed and disposed of within 30 days of generation.

3. Reporting Obligations

- The DP will report any abnormal activities to CDSL and other relevant authorities promptly. Documentation for any delays in alert disposition must be maintained.

4. PMLA Compliance

- The software designated for monitoring and review of alerts with respect to Surveillance, Red Flag Indicators and Prevention of Money Laundering.

5. Record Maintenance

- Records related to surveillance activities will be maintained as per applicable legal and regulatory requirements.

6. Annual Review

- The Surveillance Policy will be reviewed annually and approved by the Board of Directors.

B. Generation of Additional Alerts

The DP will create alerts based on the following indicative themes:

1. **Multiple Demat Accounts:** Alerts for accounts opened with the same demographic details (e.g., PAN, mobile number).
2. **Bounced Communications:** Alerts for bounced communications to clients' registered addresses.
3. **Frequent Changes:** Alerts for frequent modifications in account details.
4. **Off-Market Transfers:** Alerts for frequent or high-value off-market transfers not commensurate with client profiles.
5. **Pledge Transactions:** Alerts for pledge transactions inconsistent with the client's income or net worth.
6. **Rapid Activity Changes:** Alerts for new accounts with sudden increases in transactions followed by dormancy.

C. Client Due Diligence

1. **Ongoing Due Diligence:** Continuous due diligence on clients must be conducted to ensure compliance with KYC norms. We have opted a new feature in the system for online due diligence and any order passed against the client.
2. **KYC Updates:** Key KYC parameters will be periodically updated as mandated by SEBI.

D. Alert Reporting and Management

1. **Alert Register:** The DP shall maintain a register (electronic/physical) for all generated alerts.
2. **Verification Process:** Transaction rationale must be obtained, verified against demat statements, and supported with relevant documents.
3. **Status Reporting:** The status of all alerts (Verified & Closed / Verified & Reported) must be updated within 30 days. Adverse observations will be reported to CDSL within 7 days.

E. Compliance and Audit

1. **Compliance Oversight:** The Compliance Officer will oversee all surveillance activities.
2. **Quarterly Reporting:** A quarterly MIS will report on the status of alerts, including the number of pending alerts and reasons for delays.
3. **Internal Audit Review:** The Internal Auditor will review the policy and its implementation, reporting findings to the Board.

Approved by: Board of Director in their meeting held on 30.07.2024