# Policy Objective

This Surveillance Policy(hereinafter referred to as ‘Policy’) is adopted by the Board of Directors of Rajchandra Capital Services Private Limited (hereinafter referred as RCSPL) in the meeting of the Board of Directors held on 27.03.2025. The Policy is applicable to all clients of Rajchandra Capital Services Private Limited.

For the purpose of this Policy ‘a client’ shall mean and include both individuals and non-individuals who as on date of this policy have a Trading and/or a Demat account with us and to all such individuals and non-individuals who subsequently enroll with Rajchandra Capital Services Private Limited as clients by opening a Trading and/or Demat Account.

# Circular Reference

| **Sr No** | **Particulars** | **Issued By** | **Circular Ref No.** | **Dated** |
| --- | --- | --- | --- | --- |
| 1 | Amendments to DP Operating Instructions Annexure 11.1 |  | CDSL/SURV/DP/POLCY/2025/126 | Feb 20, 2025 |
| 2 | Measures to instil confidence in securities market – Brokers’ Institutional mechanismfor prevention and detection of fraud or market abuse – update | NSE | NSE/INVG/65921 | Dec 31, 2024 |
| 3 | Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse – update | BSE | 20241231-66 | Dec 31, 2024 |
| 4 | Institutional Mechanism for Prevention and Detection of Fraud orMarket Abuse | SEBI | CG-MH-E-29062024-255039 | Jun 28, 2024 |
| 5 | Surveillance Obligations for Trading Members  | MCX | MCX/S&I/728/2023  | Oct 23, 2023 |
| 6 | Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Comprehensive Operating Guidelines | BSE | MCX/MEM/358/2023  | Jun 02, 2023 |
| 7 | Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) - Comprehensive Operating Guidelines | NSE | NSE/INSP/56927 | Jun 01, 2023 |
| 8 | Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Comprehensive Operating Guidelines | BSE | 20230601-54 | Jun 01, 2023 |
| 9 | Enhanced obligations and responsibilities on Qualified Stock Brokers (QSBs) | SEBI | SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 | Feb 06, 2023 |
| 10 | Surveillance Obligations for Trading Members - Update | BSE | 20210701-30 | Jul 01, 2021 |
| 11 | Surveillance Obligations for Trading Members - Update | NSE | NSE/SURV/48818 | Jul 01, 2021 |
| 12 | Surveillance Obligation of Depository Participant | CDSL | CDSL/OPS/DP/SYSTM/2021/309 | Jul 15, 2021 |
| 13 | Surveillance Obligations for Trading Members | MCX | MCX/S&I/796/2020 | Oct 26, 2020 |
| 14 | Surveillance Obligations for Trading Members | NCDEX | NCDEX/SURVEILLANCE & INVESTIGATION-081/2020 | Oct 26, 2020 |
| 15 | Surveillance Obligations for Trading Members | BSE | 20130307-21  | Mar 07, 2013 |
| 16 | Surveillance Obligations for Trading Members | NSE | NSE/INVG/22908 | Mar 07, 2013 |

To fulfill their surveillance obligations, Exchanges require trading members to establish a comprehensive surveillance policy. This policy should encompass the generation and processing of alerts, identification of suspicious or manipulative activities, a framework for appropriate actions, and proper record maintenance. Additionally, trading members must ensure effective monitoring and reporting mechanisms in alignment with Exchange surveillance guidelines and any subsequent amendments.

# TypesofSurveillancealerts:

# Transactional Alerts

At present, Stock Exchanges are providing 11 categories of transactional alerts for the Cash segment and 2 types of alerts in the Derivatives Segment. The lists of these alerts are as follows:

| **Sr. No.**  | **Transactional Alerts**  | **Segment**  |
| --- | --- | --- |
| 1  | Significant increase in client activity  | Cash  |
| 2  | Sudden trading activity in dormant account  | Cash  |
| 3  | Clients / Group of Client(s), deal in common scrips  | Cash  |
| 4  | Client(s)/Group of Client(s) is concentrated in a few illiquid scrips  | Cash  |
| 5  | Client(s)/Group of Client(s) dealing in scrip in minimum lot size  | Cash  |
| 6  | Client / Group of Client(s) Concentration in a scrip  | Cash  |
| 7  | Circular Trading  | Cash  |
| 8  | Pump and Dump (Pump-and-dump” involve the touting of a company’s stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace.)  | Cash  |
| 9  | Reversal of Trades  | Cash |
| 10  | Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)  | Cash  |
| 11 | Order book spoofing i.e. large orders away from market  | Cash  |
| 12 | Concentrated position in the Open Interest/High Turnover concentration | Derivatives  |
| 13  | Reversal of Trades | Derivatives |

# Generation of suitable surveillance alerts and disposal thereof

As per Exchange directives, in addition to the transactional alerts downloaded by Exchanges, Rajchandra Capital Services Private Limited is also required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the trading activity of their clients as per the laid down surveillance policy. The indicative themes on which Rajchandra Capital Services Private Limited has formulate their own alerts are mentioned as under:

# Thematic Alerts:

* Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
* Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.
* Client / group of clients dealing frequently in small quantities / minimum market lot in a scrip/ contract.
* Disproportionate trading activity vs reported income / Net worth.
* Frequent changes in KYC submitted by clients.
* 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.
* Client / group of clients having significant selling concentration, in the scrips, forming part of ‘For Information list’ or ‘Current Watch list’. Detailed guidelines for the same is covered under NSE circular no. NSE/INVG/ 45517 dated August 30, 2020, and BSE notice no. 20200830-1 dated August 30, 2020.
* Consistency in profit / loss at client / group of clients’ levels, rationale for such trading activities Detailed guidelines for the same is covered under NSE circular no. NSE/INVG/2019/ 40175 dated February 07, 2019, and BSE notice no. 20190207-46 dated February 07, 2019.
* Significant trading activity in scrips by client who has pledged the shares of same scrip.
* In case of concerns of trading activity of a client / group of clients in a 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.
* Trading activities of accounts of relatives of entity to identify any sort of synchronized/coordinated trading.

**The indicative themes additionally applicable to Rajchandra Capital Services Private Limited being a DP:**

Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.

**The indicative themes additionally applicable to Rajchandra Capital Services Private Limited for having internet-based trading facility:**

Surveillance / monitoring of IP addresses/Device IDs of clients (including identification of multiple client codes trading from the same location).

1. **DP Alerts:**
* Rajchandra Capital Services Private Limited being DP of CDSL is required to generate appropriate surveillance alerts at its end, to enable it to effectively monitor the transactions of their clients as per the laid down surveillance policy.
* Rajchandra Capital Services Private Limited has system in place to generate the alerts.
* The indicative themes on which Rajchandra Capital Services Private Limited has formulated its own alerts are as under:

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| --- | --- |
| **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 surveillance activity shall be conducted under the overall supervision of the Chief Compliance Officer (CO) /Principal Officer (PO) /Designated Director (DD).

1. **Alert Generation Criteria:**

Rajchandra Capital Services Private Limited has Soham software for AML, screening and transaction monitoring purpose.

a. This software provides various alert scenarios from surveillance and AML perspective, it also includes RFI alerts as mandated by FIU along with the exchanges and regulators requirements

b. Transaction alerts downloaded by Exchanges and Depository

Once the alert is generated, the surveillance team scrutinize client transactions and arrives at logical conclusion based on analysis and evidence gathered.

1. **Alert Thresholds:**
2. All the above-mentioned alerts will be generated based on internal threshold/parameters except where stipulated thresholds are provided by the exchange or the regulatory body. Surveillance systems and internal controls can be customized in a manner that it commensurate with the complexity of the transactions and business activities.
3. Any of the Principal Office (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable will decide the thresholds along with documented rationale.
4. Threshold review will be undertaken at least once a year.
5. The review report of thresholds to be submitted to the Board once a year.
6. **Process of reviewing / analysing the alerts/ Framework of actions:**

Surveillance Team shall analyze transactions on basis of alerts received from Exchange/ CDSL and internal system. Points to be considered while analyzing transactional alerts are

1. Income Range / Net worth declared by the client/ BO as against transactions done or holdings in the account
2. Verification of Ultimate Individual Beneficial owners in case of Non-Individual client/ BOs.
3. Verification of source & destination of off-market debits & credits in BO’s account
4. Verification of family, background etc. where same demographic details, Mail ID, Mobile numbers are used in multiple accounts
5. Verification of addresses in case of documents returned undelivered
6. Review of reasons given for off-market debits
7. Wherever required additional relevant documents shall be requested from client/ BO for analyzing alerts.
8. Scrutiny of explanations and documents furnished by BO against alerts received on their transactions.

# Action Points (Internal as well as External alert observations):

Post investigation, if any trading activity is found to be suspicious in nature, then below action/s will be undertaken:

* Seeking trading rationale from the client via e-mail
* Issuing Observation/Caution letter to the client
* Filing of STR
* With hold pay out of the client
* Blocking client trading
* Force closure of accounts

### **Escalation and Reporting Mechanisms:**

1. The **Compliance Officer**, **Board of Directors**, or similar senior officials at Rajchandra Capital Services Private Limited must review how well the company is following the rules in this framework at least once every quarter. They should also check if the internal controls and reporting systems are working properly by looking at the relevant data.
A **Quarterly MIS report** must be shared with the Board of Directors every quarter.
2. If Rajchandra Capital Services Private Limited finds any suspicious activity, it must be reported to the stock exchanges as soon as possible, but no later than **48 hours** from the time it was discovered.
This report should be sent by **email or through the Member Surveillance Dashboard (MSD)**.
3. Every **six months**, Rajchandra Capital Services Private Limited must send a **summary report** to the stock exchanges about any suspicious activity, fraud, or market abuse it found. If nothing was found, a **‘nil report’** must be submitted.

# RecordMaintenanceandreviewofprocess:

* Every alert from the exchange must include documents that explain why it was reported—or not reported—to the exchange.
* Rajchandra Capital Services Private Limited will set up and manage a system to store account information so that it can be quickly and easily accessed whenever needed or when authorities ask for it.
* Rajchandra Capital Services Private Limited will keep a record of all alerts that were analyzed or reported to the Exchanges from the time they were created, for the time period specified in the PMLA policy. Also, every alert from the Exchanges must be supported by the required documents.

**XII Reporting of Alerts & its disposition**

1. Quarterly MIS shall be put forth to Board of Directors within 7 days from end of each quarter as under:
* Number of alerts pending at the beginning of the quarter
* Number of alerts generated during the quarter
* Number of alerts processed & closed during the quarter
* Number of alerts pending at end of the quarter with reasons for pendency & action plan for closure
* Any exceptions noticed during disposal of the alerts
1. Duly approved status of the alerts on a quarterly basis shall be provided to Exchange/ CDSL as per their format given below or any other format provided at a later date within 15 days from end of the quarter. In case there is nothing to report, then a NIL report shall have to be submitted to the depositories.

Status of Alerts generated by the us internally:

| Name of Alert | No. of alerts pending at beginning of quarter | No. of new alerts generated during the quarter | No. of alerts verified & closed in the quarter | No. of alerts reported to Exchange/ Depository | No. of alerts pending process at the end of the quarter |
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Details of alerts referred to Exchange

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| --- | --- | --- | --- | --- |
| Sr. No | Date of alert | Type of alert | Brief observations and details of action taken | Date referred to Exchange |
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Details of any major surveillance action taken (other than alerts reported to Exchange /Depository), during the quarter

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| --- | --- |
| Sr. No. | Brief action taken during the quarter |
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1. **Obligations of Compliance Officer & Internal/Concurrent Auditors**
* Surveillance activity shall be conducted under overall supervision of Compliance Officer
* Internal Auditor shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the Audit period. The Auditor shall record the observations with respect to the same in their report
* Internal Auditor shall verify that the quarterly MIS is prepared & placed before the Board of Directors