

SURVEILLANCE OBLIGATION POLICY

➤ **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. Depository Participants have the responsibility of monitoring the activity in demat accounts of their clients. In order to achieve this and to create safer markets, Estee Advisors 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:**

The objective of this policy is to strengthen the Surveillance framework for the Depository Services and effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets, the goal of surveillance policy is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices.

We have put in place a surveillance framework, which shall cover the following:

➤ **Governance:**

The policy documents approved by our Board and stipulated to review this policy document at least annually with the view to strengthen and improve this surveillance obligation policy.

➤ **Obligation to frame the Surveillance Policy and generate Surveillance**

Alerts:

We have framed a surveillance policy based on the nature of our depository business, type of clients, number of demat accounts, number of transactions etc. and cover the following:

1. Generate the surveillance alerts as guided by the below indicative themes:
 - a. 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 us.
 - b. Alert for communication (emails/letter) sent to registered Email id/address of clients are getting bounced. Frequent changes in the details of demat

account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.

- c. Frequent Off-Market transfers by a client in a specified period.
 - d. Off-market transfers not commensurate with the income / Net worth of the client.
 - e. Pledge transactions not commensurate with the income/ Net worth of the client.
 - f. Off-market transfers (High Value) immediately after the modification of details in demat account.
 - g. Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g., transfer with reason code Gifts with consideration, frequent transfers with reason code Gifts / Donation to unrelated parties, frequent transfers with reason code off- market sales.
 - h. Alert for newly opened accounts wherein sudden Increase in transaction activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
 - i. Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.
 - j. Also generate the alerts through analyzing the pattern and trends with respect to any other theme.
 - k. Generate alerts for Securities under Insolvency and Bankruptcy Code (IBC) / Inter-Creditors Agreement (ICA)—As per the joint surveillance meeting of SEBI and Exchange dated 20th May, 2022 – Additional Surveillance measures adopted for the securities under IBC / ICA.
2. Review and disposal of transaction alerts within 30 days from the date of alerts generated by the Depository / Alerts generated by our end.
 3. Reporting to the Depository and other authorities as applicable in case of any abnormal activity.
 4. In case of any delay with regard to the disposal of any alert, then suitable Documentation of reasons for the delay should be maintained.
 5. Framework of appropriate actions as per obligations under the Prevention of Money Laundering Act (PMLA).
 6. Record maintenance for the period as stipulated under applicable statutes.
- **Obligation regarding Client Due Diligence:**
1. Need to carry out client due diligence on an on-going basis.
 2. Update the key KYC parameters of the clients in the Depository System on a periodic basis as prescribed by the SEBI / latest information of the client.

➤ **Obligation w.r.t. Processing of Alerts:**

1. Maintain a register (Electronic/Physical) for recording of all alerts generated.
2. Obtain transactions rationally, while reviewing alerts. Also, verify the demat account statement and obtain supporting documents as required from the client.
3. After verifying the documentary evidences, need to record its observations for such identified transactions of its Client.
4. With respect to the transaction alerts to be provided by the Depository, need to review and provide status thereof w.r.t. such alerts (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 30 days, on the designated depository portal.
5. With respect to the alerts generated at our end, need to report instances with adverse observation (if any), along with details of action taken, to the respective Depository within specified time of identification of adverse observation.

➤ **Obligation of Compliance Officer and Internal/Concurrent Auditor:**

1. The surveillance activities shall be conducted under overall supervision of our Compliance Officer. The Compliance Officer shall also be responsible to prevent for circulation of any unauthenticated market related rumors by the employees.
2. 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.
3. Our Internal auditor need to review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of the 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 Participant.
4. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board.

➤ **Obligation of Quarterly reporting of status of the alerts generated by Participant :**

1. Provide duly approved status of the alerts on a quarterly basis, in the format prescribed by the respective Depository within 15 days from the end of the

quarter.

a) Status of Alerts generated by the Depository:

| Name of Alert | Opening balance of alerts at the beginning of the quarter | No. of alerts generated during the quarter | Total no. of alerts | No. of alerts closed during the quarter | Alerts pending at the end of the quarter | Ageing analysis of the alert spending at the end of the quarter (since alert generation date) | | | | | Reason for pendency # |
|---------------|---|--|---------------------|---|--|---|------------|------------|------------|-----------|-----------------------|
| | | | | | | <1 month | 1-2 months | 2-3 months | 3-6 months | >6 months | |
| | | | | | | | | | | | |

b) Details of any major surveillance action taken (other than alerts reported to Exchange/ Depository), if any, during the quarter:

| Sr.No. | Brief action taken during the quarter | |
|--------|---------------------------------------|--|
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c) DP who does not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.

2. The above details shall be uploaded by the DP on CDSL CDAS portal.

➤ **Penalty in case of Non-fulfillment of Surveillance Obligation:**

1. The Depository has power to impose the penalty in case of late/non-submission of quarterly reports of the alerts.

➤ **Disciplinary action for non-fulfillment of Surveillance obligation:**

1. We need to fulfill all our surveillance obligation otherwise, during the inspection, if it is observed that we have not fulfilled our surveillance obligations, then appropriate disciplinary action shall be initiated by the Depository.

2. Any non-compliance with respect to surveillance obligations which may, inter alia include delay in processing of alerts generated at our end / provided by Depository and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Business Rules and Bye-laws of Depositories.

3. It may further be noted that aforesaid measure does not preclude SEBI / Depository to take any further action(s), if the facts and circumstances so demand.

➤ **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 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 for review.

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

A quarterly MIS shall be put up by the Compliance Officer to the board and the Designated Director giving number of alerts generated during the quarter, number of alerts closed, number of alerts on which action taken with details of action taken and number of alerts pending at the end of the quarter along with reasons for pendency and action plan for closure. The Board as well as the Designated Director shall be apprised of any exception noticed during the disposal of the alerts

Reasons for pendency shall be discussed and appropriate action would be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

➤ **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 regulators and to bring all the significant changes in the said policy to the notice of Designated Director and place the reviewed policy before the Board for its adoption.