



Surveillance Policy

(version 1.4 dated 01.10.2024)
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Of

GEPL Capital Private Limited

(Member of NSE, BSE, CDSL)

Surveillance Policy

Introduction:

With reference to SEBI Circular SEBI/HO/ISD/ISD-PoD-1/P/CIR/2024/73 dated June 6, 2024, GEPL Capital Private Limited (GEPL) has formulated this Surveillance Policy which is an integral part of our commitment to ensuring a compliant, transparent, and secure trading environment. This policy incorporates detailed procedures and responsibilities for GEPL as a Stock Broker and Depository Participant to comply with guidelines of the regulatory authorities and the Exchanges and actively contribute to the integrity of the securities markets. Our surveillance approach aims to detect, prevent, and respond to potential market manipulations, illegal trading activities, and non-compliance with regulatory norms.

This policy incorporates key guidelines and compliance frameworks from the following regulatory sources:

1. **SEBI Master Circular dated July 9, 2024:** Covers surveillance systems and procedures for market integrity and reporting obligations.
2. **SEBI Master Circular dated March 23, 2023:** Explains stock brokers' and depository participants' roles in market surveillance and client transaction monitoring.
3. **SEBI Master Circular dated March 1, 2021:** Lays out surveillance responsibilities for stock brokers and depository participants to prevent fraud and market manipulation.
4. **SEBI Circular SEBI/HO/ISD/ISD-PoD-1/P/CIR/2024/73 dated June 6, 2024:** Provides detailed guidelines for market surveillance, investigation, and reporting.

Applicability

This Surveillance Policy applies to all of GEPL, including their employees, agents, and contractors involved in trading, client servicing, risk management, and compliance. It also extends to GEPL's clients, whose trading activities are subject to surveillance, as well as third-party vendors and affiliated entities interacting with GEPL in the execution of trades or services. All relevant parties must adhere to the procedures outlined in this policy to ensure compliance with market integrity standards and regulatory requirements.

Objectives of the Policy

The main objectives of the GEPL Surveillance Policy are:

- **Prevent Market Abuse and Manipulation:** To proactively detect, investigate, and prevent activities such as market manipulation, price rigging, insider trading, and fraudulent practices.
- **Ensure Regulatory Compliance:** To align GEPL's operations with the surveillance and reporting frameworks set by SEBI and other regulatory authorities.

- **Safeguard Investor Interests:** By maintaining an equitable and transparent marketplace, GEPL aims to protect the interests of all market participants and prevent any form of investor exploitation.
- **Prompt and Effective Response:** In the event of detecting irregularities or non-compliance, the policy ensures swift actions are taken, including investigations, reporting to SEBI, and client notifications.
- **Maintain Market Integrity:** By continuously monitoring trades and market activities, the policy ensures that GEPL adheres to ethical standards, thereby contributing to the broader goal of fair and transparent markets.

Legal and Regulatory Framework

This policy is anchored in the following key regulatory guidelines and compliance requirements:

- SEBI Master Circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2024/126 dated September 23, 2024 (Reporting of Insider Trading, Surveillance, and Market Manipulation)
- SEBI Master Circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2024/99 dated July 9, 2024 (Compliance for Trading Window Closures and PAN Freezing)
- SEBI Master Circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 dated March 23, 2023 (Reporting and Monitoring of Pledge, Encumbrance, and Demat Transactions)
- SEBI Master Circular SEBI/HO/ISD/ISD/CIR/P/2021/22 dated March 1, 2021 (Surveillance and Compliance Guidelines)
- SEBI Circular SEBI/HO/ISD/ISD-PoD-1/P/CIR/2024/73 dated June 6, 2024

Regulatory Compliance

- Adhere to the SEBI (Prohibition of Insider Trading) Regulations, 2015, including trading disclosures by designated persons, promoters, directors, and connected persons.
- Ensure timely and accurate disclosures of any changes in holdings by such persons as per Regulation 7(1)(b) and Regulation 7(2) of SEBI PIT regulations.
- Ensure that records of clients, including PAN and Demat details, are updated regularly and in compliance with SEBI/HO/ISD/ISD/CIR/P/2021/22 and other relevant guidelines.

Surveillance Structure and Responsibility

The GEPL Surveillance System is structured to detect, investigate, and report suspicious activities in compliance with SEBI's guidelines. The responsibility for surveillance is distributed across various teams and roles:

- **Surveillance Team:** This specialized team is responsible for daily surveillance of all trades, transactions, and market activities. The team uses automated systems "TrackWizz" to identify irregularities, suspicious trading patterns, and potential violations of market conduct. They are also tasked with investigating any alerts generated by the system.

- **Compliance Officer:** The Compliance Officer has the overall responsibility of overseeing surveillance operations. They ensure adherence to SEBI regulations and ensure that all suspicious activities are escalated and reported to SEBI in a timely manner.
- **Risk Management Committee:** The Risk Management Committee, which includes senior management, is responsible for identifying, evaluating, and managing risks arising from trading activities. They assess market conditions, review surveillance data, and ensure that corrective actions are taken whenever required.
- **Internal Audit Team:** An independent audit team is tasked with periodically reviewing the effectiveness of surveillance systems, ensuring that GEPL's operations align with SEBI's surveillance protocols, and recommending improvements.

Surveillance Procedures for Stock Brokers and Depository Participants

1. Data Sharing and Reconciliation

- Ensure that Demat account information is promptly provided to designated depositories and reconciled with stock exchanges as per SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039.
- Ensure regular sharing and update of Demat account data, including pledge and market transfers, with both depositories and stock exchanges.

2. Transaction Monitoring:

- Monitor all Demat account-related activities such as pledge/revocation/invocation of shares, off-market transactions, and corporate actions (e.g., ESOPs, Rights issues).
- Ensure transactions are compliant with SEBI's guidelines and regulations.

3. Pledge and Encumbrance Reporting:

- Ensure timely reporting of pledge and invocation of shares to depositories and stock exchanges as per the guidelines provided in SEBI/HO/ISD/ISD-PoD-/P/CIR/2024/126.

Market Monitoring and Trade Surveillance

GEPL has employed an Automated Market Surveillance System (AMSS)- TrackWizz that continuously monitors trades for any deviations from expected patterns. The system provides real-time alerts for suspicious activities such as:

- **Price Manipulation:** The surveillance system identifies instances of price rigging or artificial price manipulation through trades that do not reflect the true market value.
- **Cross Trades:** These are trades where the buy and sell orders originate from the same entity, indicating potential market manipulation. The system flags such trades for further review.
- **Unusual Volume and Price Movements:** Large trades that occur in a short time frame or orders placed at unusual times are closely monitored. The system identifies and flags irregular trading activities that may impact market prices.

- **Suspicious Trade Patterns:** The surveillance team looks for abnormal trading activities, such as layering or quote stuffing, which are typically used for market manipulation.

Client Due Diligence and Risk Profiling

In compliance with SEBI's Circular SEBI/HO/ISD/ISD-PoD-1/P/CIR/2024/73, GEPL performs Know Your Customer (KYC) checks on every client to establish a clear understanding of their trading behaviour. This includes:

- **Client Risk Profiling:** Based on KYC information, clients are classified into different risk categories. High-risk clients are subject to enhanced surveillance and closer monitoring, while low-risk clients receive standard monitoring.
- **Client Activity Monitoring:** Client activities, including trade frequency, volume, and timing, are constantly reviewed along with the income range to ensure that no irregular patterns emerge. Any sudden deviation from the client's typical trading behaviour will trigger a deeper investigation.

Reporting of Suspicious Activities

As stipulated by SEBI's regulations, GEPL has a clear protocol for reporting suspicious activities:

- **Timely Reporting:** Any suspicious transaction or trading pattern is reported to SEBI within the required timeframe, typically 7 days of detection. This ensures that market manipulation, insider trading, or other illegal activities are promptly flagged for investigation.
- **Format and Content of Reports:** The reports to SEBI contain detailed information, including transaction records, client details (where applicable), investigation findings, and any corrective actions taken.
- **Escalation Process:** If the initial findings point to potential market abuse, the case is escalated to higher management and reported to SEBI along with supporting evidence especially when transactions exceed Rs.10 lacs or involve unusual patterns. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2024/99

Insider Trading Prevention

GEPL adopts a zero-tolerance policy towards insider trading, ensuring that:

- **Monitoring Designated Persons:** Monitor the trading activity of designated persons (directors, promoters, key managerial personnel) and their immediate relatives, ensuring compliance with SEBI (PIT) Regulations, including timely disclosures under Regulation 7(1)(b) and Regulation 7(2). Flag any suspicious trading activities in the accounts of designated persons and take necessary action if required.
- **Monitoring Derivative Trading:** SEBI Circular Reference: SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 Monitor derivative contracts (e.g., Futures and Options) held by promoters, KMPs, and designated persons to prevent misuse of inside information. Ensure that these persons disclose their derivative positions as per the SEBI PIT regulations.

- **Material Non-Public Information (MNPI):** The firm monitors all employees, promoters, and clients who might have access to MNPI and takes action to ensure they do not misuse this information for personal gain.
- **Employee Trading Restrictions:** Employees with access to sensitive information are prohibited from trading in certain securities, especially those they might have privileged information about.

Investigation Procedures

Upon detecting suspicious activity, GEPL conducts thorough investigations:

- **Initial Analysis:** The surveillance team conducts an initial analysis to review trade patterns, market conditions, and client behaviour that triggered the alert.
- **Client Interaction:** When required, GEPL reaches out to clients for clarification of suspicious activities. Any clients who fail to cooperate or provide satisfactory explanations are subject to further actions, including account suspension or reporting to SEBI.
- **Detailed Investigation:** If necessary, a detailed investigation is initiated. This includes reviewing the client's historical transactions, conducting background checks, and analysing market conditions at the time of the suspected trade.
- **Client Due Diligence:** Monitor changes in clients' Demat holdings, including pledge and encumbrance disclosures as per SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039.

Cross-Border Surveillance

Given the global nature of securities markets, GEPL monitors cross-border trades to detect any irregularities that might involve NRI clients. The surveillance system tracks trades done internationally to ensure compliance regulatory norms.

Risk Management and Compliance Framework

Internal Control System

GEPL has implemented an internal control system to ensure continuous monitoring of trading activities, including:

- **Access Control:** Only authorized personnel have access to surveillance systems and data, ensuring that all sensitive information remains confidential and secure.
- **Audit Trail:** All trades, alerts, and actions are logged into an audit trail, providing transparency and accountability. Conduct regular audits to identify any lapses in surveillance procedures.

Employee Training

- **Training:** GEPL provides regular training for its staff on the latest SEBI surveillance regulations, market abuse detection, and ethical trading practices. This ensures that employees are aware of their responsibilities and the tools available to prevent market manipulation and ensure compliance.

- **Corrective Actions:** In case of non-compliance, take corrective actions such as freezing client accounts, reporting violations to SEBI, and initiating investigations.

Whistle blower Mechanism

GEPL has established, implemented and maintained a documented whistle blower policy providing a confidential channel for employees and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance vulnerability. This policy provides for protection of whistle blowers subject to any retaliation and procedure for complaints against the Managing Director, Chief Executive Officer, key managerial personnel, Designated Directors or Promoters.

Reporting and Record-Keeping

GEPL maintains thorough records of all surveillance activities:

- **Incident Documentation:** All suspicious activities, investigations, and actions taken are documented and retained for five years.
- **Audit Reports:** Reports generated from surveillance activities are periodically audited to ensure compliance with SEBI's requirements.

Review and Updates

The Surveillance Policy is reviewed annually to ensure compliance with the latest SEBI regulations, market trends, and internal operational needs. If any amendments or updates are required, they are implemented and communicated to all relevant stakeholders immediately.

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This policy is approved by the board of directors of GEPL Capital Private Limited on **October 1st, 2024** and will be implemented with immediate effect.



Standard Operating Procedure for processing of Surveillance Obligation and Alerts

(Member: BSE, NSE & CDSL)

(Version 1.4 dated 01.10.2024)

Standard Operating Procedure (SOP) for Processing of Surveillance Alerts

Reference:

- CDSL Communiqué no. CDSL/OPS/DP/SYSTEM/2021/309 dated July 15, 2021
- CDSL Communiqué no. CDSL/OPS/DP/SYSTEM/2022/5 dated January 04, 2022
- CDSL Communiqué no. CDSL/SURV/DP/POLCY/2023/88 dated February 10, 2023
- CDSL Communiqué no. CDSL/OPS/DP/SYSTEM/2024/341 dated June 05, 2024

1. Introduction

GEPL Capital Pvt Ltd ("GEPL"), as a Depository Participant (DP) registered with Central Depository Services (India) Limited (CDSL), is committed to ensuring compliance with regulatory guidelines concerning surveillance obligations. This document outlines GEPL's **Surveillance Policy** and **Standard Operating Procedure (SOP)** for processing surveillance alerts, in line with CDSL's directives, to ensure effective monitoring, reporting, and compliance.

2. Purpose

The purpose of this Surveillance Policy and SOP is to:

- Establish a robust surveillance framework for monitoring and detecting suspicious or manipulative transactions.
- Define the process for handling surveillance alerts, including alerts generated internally and those provided by CDSL.
- Ensure compliance with SEBI, CDSL, and other regulatory requirements.
- Provide a structured approach for alert generation, review, disposal, and reporting.

3. Scope and Objectives

The objectives of this policy are to:

1. **Implement a Surveillance Framework:** To detect, monitor, and analyze transactions for suspicious or manipulative activities.
2. **Client Due Diligence (CDD):** Conduct ongoing due diligence of clients and update key KYC parameters periodically.
3. **Alert Processing:** Ensure timely review and disposal of alerts within stipulated timelines.
4. **Reporting:** Submit quarterly reports to CDSL and other regulatory authorities as required.

5. **Record Maintenance:** Maintain detailed records of alerts, actions taken, and reasons for delays (if any).

4. Surveillance Framework Alert Generation:

GEPL shall generate surveillance alerts based on the following:

A. Exchange Alerts (CDSL/NSDL):

1. **Multiple Demat Accounts Alert:** Triggered when accounts are opened with the same PAN, mobile number, email ID, or address.
2. **Bounced Communication Alert:** Triggered when emails or letters sent to the client's registered email ID or address bounce back.
3. **Frequent Changes Alert:** Generated for frequent changes in demat account details (e.g., address, email, mobile number).
4. **Frequent Off-Market Transfers Alert:** Triggered for frequent off-market transfers by a client within a specified period.
5. **Off-Market Transfers vs. Client Profile Alert:** Triggered when off-market transfers are inconsistent with the client's income or net worth.
6. **Pledge Transactions Alert:** Generated for pledge transactions inconsistent with the client's income or net worth.
7. **High-Value Off-Market Transfers:** Triggered for high-value off-market transfers immediately after modifications in demat account details.
8. **Off-Market Transfer Reasons Alert:** Review of reasons provided by clients for off-market transfers (e.g., gifts, donations).
9. **Newly Opened Accounts Alert:** Triggered for sudden increases in transaction activity in newly opened accounts, followed by dormancy.
10. **General Alerts for Market Manipulation:** Any other alerts designed to prevent and detect market manipulation activities.

B. In-House Alerts:

1. **Significant Trading Activity:** Clients or groups of clients accounting for a significant percentage of total trading activity in a scrip/contract.
2. **Disproportionate Trading Activity:** Trading activity inconsistent with the client's reported income or net worth.
3. **Frequent KYC Changes:** Frequent changes in KYC details submitted by clients.
4. **Suspicious Trading Activity:** Clients with possible connections to listed companies undertaking suspicious trading activities.

5. **Pledge-Related Alerts:** Significant trading activity in scrips where clients have pledged shares.
6. **IP Address Monitoring:** Surveillance of IP addresses for multiple client codes trading from the same location.

5. Alert Processing SOP

- A. **Alert Identification:** Alerts are identified either from CDSL or internally by GEPL's surveillance system.
- B. **Preliminary Review:** The compliance team reviews the alert for legitimacy and gathers supporting data.
- C. **Client Communication:** If required, the client is contacted to provide clarification or documentation.
- D. **Verification & Analysis:** Documents such as demat statements, financials, and transaction rationale are analyzed.
- E. **Maker-Checker Mechanism:** The alert disposition process follows a dual-review system for accuracy and compliance.
- F. **Decision & Reporting:** The alert is either closed (with justification) or reported to CDSL/regulators if anomalies persist.
- G. **Documentation & Record Keeping:** All actions taken are recorded for audit and regulatory reference.

6. Timelines for Alert Processing

- **Alerts must be disposed of within 30 days** from the date of generation (both internal and CDSL-provided alerts).
- In case of delayed disposal, reasons for delay must be documented.
- **Quarterly reporting** of alert status to CDSL is mandatory.

7. Reporting Obligations

- **Adverse Observations:** Report verified alerts with adverse observations along with actions taken to CDSL within **7 days** of identification.

- **Quarterly Reporting:** Provide a quarterly report to CDSL detailing the status of alerts processed, with actions taken, within **15 days** from the end of the quarter. Include a 'NIL Report' if there are no alerts to report.

8. Documentation and Record Maintenance

- Maintain detailed documentation for:
 - i. Reasons for any delays in alert disposition.
 - ii. Actions taken concerning alerts in line with the Prevention of Money Laundering Act (PMLA).
- Keep records for the period specified under applicable statutes.

9. Review of Surveillance Policy

- Conduct an **annual review** of the surveillance policy to ensure its effectiveness and relevance.
- Submit updates or revisions for Board approval.

9. Escalation Procedure

- **High-Risk Alerts:** Escalated to the Head of Compliance immediately.
- **Regulatory Breach:** If a regulatory breach is suspected, the alert is reported to CDSL, SEBI, or other relevant authorities.
- **Periodic Review Meetings:** Held to discuss unresolved alerts and improvement areas.

10. Compliance & Review

- The Surveillance Policy shall be reviewed annually by the Compliance Officer.
- The SOP and alert parameters shall be periodically reviewed to incorporate regulatory changes and operational improvements.
- Internal audits will assess compliance with the SOP, alert handling efficiency, and regulatory adherence.

11. Non-Compliance & Disciplinary Actions

- Delayed or improper handling of alerts may result in penalties, temporary restrictions, or regulatory scrutiny.

- Non-compliance with surveillance obligations will invite disciplinary actions as per CDSL Bye-laws and DP Operating Instructions.

12. Conclusion

GEPL is committed to proactive surveillance, compliance, and risk management. This SOP ensures that all surveillance alerts are handled effectively, timely, and in full regulatory compliance.

13. Approval & Implementation

This policy was reviewed and approved and adopted by the Board of Directors of GEPL Capital Pvt. Ltd on **October 1st 2024** and shall be implemented with immediate effect.