

ACML CAPITAL MARKETS LIMITED
SURVEILLANCE POLICY

Ref: Exchange / Depository Circulars / Notices –

- (i) NSE/INVG/22908 dated March 07, 2013
- (ii) NSE/SURV/40148 dated February 05, 2019
- (iii) NSE/SURV/48818 dated July 01, 2021
- (iv) BSE notice no. 20210701-30 dated July 01, 2021
- (v) NSDL circular no. NSDL/POLICY/2021/0072 dated July 15, 2021
- (vi) CDSL Communique no. CDSL/OPS/DP/SYSTEM/2021/309 dated July 15, 2021

GENERAL:

Exchange/s vide their circulars / notices (ref: NSE Circular no. NSE/SURV/48818, Circular no. 452/2021 dated July 01, 2021 & BSE Notice no. BSE notice no. 20210701-30 dated July 01, 2021) required the trading member (ACML) to frame surveillance policy covering applicable business models / services they offer for effective monitoring.

Depositories too vide their circulars / communiqué (ref: NSDL circular no. NSDL/POLICY/2021/0072 dated July 15, 2021 and CDSL Communique no. CDSL/OPS/DP/SYSTEM/2021/309 dated July 15, 2021) required the Depository Participant (ACML) to frame surveillance policy based on the natures of DP business, type of clients, number of Demat accounts and number of transacts etc. for effective monitoring.

ACML earlier framed a surveillance policy to deal with alerts received from the exchange/s, if any, with regard to any trade done by any client at any point of time on the exchange platform to create awareness among the investors regarding the day to day compliances and also to stop any suspicious/irregular activities by any constituent.

In order to comply with the exchange / depository requirements, the following surveillance policy is framed amending the existing surveillance policy of the company.

The surveillance policy of the company broadly covers the following aspects:

1. Business model / services offered by the company
2. Surveillance alerts – Generation, Processing, Review and Disposal of transaction alerts provided by Exchange & Depository, Documentation of reasons for any delay in disposition of any of the alerts, Identification of suspicious/manipulative activity, actions to be taken and record maintenance, Reporting to Exchange / Depository, Framework of appropriate actions under PMLA
3. Client due diligence
4. Supervision of surveillance activities by Compliance officer and quarterly MIS reporting to Designated Director/s and responsibility of designated director/s for surveillance activity, Review of surveillance policy by internal auditor and reporting
5. Quarterly reporting of status of alerts to the Exchange
6. Board approval and Review of policy on periodic basis to keep it in line with the market trends

1. Business Model / Services Offered By The Company

ACML Capital Markets Limited, hereinafter referred to as “The Company” is providing stock broking and depository participant services to the different clients including retail, individual and corporate clients, HNI through its Authorised persons’ network. The company does not deal in its own account (i.e. No proprietary trading). The company has more than 70,000 trading and demat clients and number of transactions for DP operations varies with the market trends.

The company is a trading member of leading exchanges and depository participant of both the depositories. The registered clients of the company avails the facility of stock broking and depository participant services only through their respective Authorised Persons (AP) with whom they have been introduced and registered as Client of the company. The company does not entertain direct client registration and trading. Registered clients are required to contact their respective AP for availing stock broking and DP services of the company. The clients contact their AP for trading through various modes like call and trade, mobile based trading, internet based trading.

2. **Surveillance alerts – Generation, Processing, Review and Disposal of transaction alerts provided by Exchange & Depository, Documentation of reasons for any delay in disposition of any of the alerts, Identification of suspicious/manipulative activity, actions to be taken and record maintenance, Reporting to Exchange / Depository, Framework of appropriate actions under PMLA**

- The company shall endeavor to generate various transactions alerts for its Exchange and Depository Participant operations in addition to the transaction alerts provided by Exchanges and Depositories to effectively monitor the trading and Demat accounts activity of the clients.

The indicative themes based on which alerts may be generated for client trading on the Exchange platform are as under to understand and analyse patterns and trends with respect to different themes.

- Client / group of clients, as identified by the company, 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 company, 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, identifying 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'. (Reference: Exchange circular no. NSE/INVG/45517 dated August 30, 2020)
- Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities.(Reference: Exchange circular no. NSE/INVG/2019/40175 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 or a group of clients in 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.

The indicative themes based on which alerts may be generated for clients' demat account operations are as under to understand and analyse patterns and trends with respect to different themes.

- 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.
- Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.

- Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- Frequent Off-Market transfers by a client in a specified period
- Off-market transfers not commensurate with the income/Networth of the client.
- Pledge transactions not commensurate with the income/Networth of the client.
- Off-market transfers (High Value) immediately after modification of details in demat account
- Review of reasons of off-market transfers provided by client for off-market transfers vis-a-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.
- 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.
- Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by the clients

Further, the company shall consider generating transaction alerts on the following themes in respect of clients availing facility of DP services and internet based trading:

- Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.
- Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location).

The above guidelines / themes are illustrative and not exhaustive. Based on circumstances and based on business model and service offered to the clients, and based on some thresholds or parameters so as to detect any suspicious trading activity, the company shall exercise its independent judgment and formulate its own alerts and take appropriate actions thereof.

- For the purpose of transaction alerts processing
 - The company shall obtain from clients or other concerned persons / agencies, the trading or DP transaction rationale and necessary documentation and verify bank statements; demat statements including income / networth of trading client / BO client for analysing / processing the identified transactions / alerts of clients as well as to exercise independent judgment and take appropriate actions in order to detect any abnormal or suspicious transactions.
 - After analyzing the documentary evidences, the company shall record its observations for such identified transactions of its Client / Group of Clients.
 - With respect to the transactional alerts downloaded by the Exchange / Depository, the company shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken is updated within 45 days for exchange alerts, in the Member Surveillance Dashboard of the Exchange/s and in case of Depository, status thereof (Verified & Closed / Verified & Reported to Depository) action taken is updated within 30 days on the Depository Portal.
 - With respect to the alerts generated by the company and also identification of any suspicious/manipulative activity, the company shall report instances with adverse observation if any, along with details of action taken, to the Exchange within 45 days of the alert generation and maintain necessary records and in case of alerts generated by the DP department, DP department 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.
- All reasonable efforts will be taken by the company to ensure that transactions alerts either provided by the Exchanges or Depositories or generated by the company shall be processed in a time bound manner and in case of any delay, the company will make an effort to document the reasons for delay or pendency in disposition of such alerts wherever possible.

- If any client is found to be flouting any norms of the company and/or the exchanges or Depositories, the company shall initiate action against the client which may include suspension from trading or freezing of demat accounts by ACML or ACML may not allow branch / client to deal in the particular scrips or operate its demat accounts.
- Framework of appropriate actions under PMLA
In case of any suspicious transaction/s observed while carrying out surveillance activity of client transactions for his trading or DP operations, the company shall take necessary steps as PMLA policy of the company and laid down PMLA requirements.

3. Client Due Diligence:

The company shall carry out client due diligence activities on an on-going basis and shall ensure key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.

4. Supervision of surveillance activities by Compliance officer and quarterly MIS reporting to Designated Director/s and responsibility of designated director/s for surveillance activity, Review of surveillance policy by internal auditor and reporting

- The surveillance activities of the company shall be conducted under overall supervision of its Compliance Officer.
- A quarterly MIS shall be put up to the Designated Director 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 Designated Director and or Board of Directors shall be apprised of any exception noticed during the disposition of alerts.
- Designated Directors would be responsible for all surveillance activities carried out by the company for exchange operations.
- Internal auditor of trading member shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report. Internal auditor shall also verify that the quarterly MIS report is prepared and placed before the Board of DP.

5. Quarterly reporting of status of alerts to the Exchange

The company shall provide duly approved status of the alerts on a quarterly basis, to the Exchanges / Depository within 15 days from end of the quarter in the exchange / depository prescribed format on the Member Surveillance Dashboard or Depository Web portal.

6. Board approval and Review of policy on periodic basis to keep it in line with the market trends

The surveillance policy shall be reviewed and approved by the Board of Directors of the company on a periodic basis preferably annually to keep it in line with the market trends.

The surveillance policy is subject to change as per regulatory and other requirements and is in addition to risk management policy and AML policy of ACML.