GPSK Capital Private Limited

SURVEILLANCE POLICY

Policy created by	**Compliance Team**
Policy reviewed by	**Compliance Officer**
Policy reviewed on	**January 3, 2025**
Policy Approved by	**Board of Directors**
Policy approved on	**January 10, 2025**

Version – 1.4

GPSK Capital Private Limited
CIN : U70101WB1988PTC045839
Registered Office : "Continental Chambers", 4th Floor
15A Hemanta Basu Sarani, Kolkata - 700 001, India
t +91 33 98317 12550, E-mail : admin@gpsk.in
Members : **National Stock Exchange of India Ltd** (08065)
SEBI Registration (INZ 000219831)

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• 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. Trading Members & Depository Participants have the responsibility of monitoring the trading activity of their clients. Trading Members have been advised by the Stock Exchanges, Depository & extant Regulators to set-up monitoring of the Trading Activity and Movement of securities of their clients including intra-day activity and proactively report to the Exchanges/ Depository/ Extant Regulators observations/ findings, if any. In order to achieve this and to create safer markets, an adequate surveillance policies and system to be put in place in order to monitor suspicious/manipulative transactions and curb such activities, if any.

• Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in Cash, Equity - Derivative, Currency Derivative Market Segments and Commodity Derivative Market Segment of the Stock Exchange(s), where the Company is registered as a Trading Member, this Surveillance Policy is being formulated, in compliance and/or as mandated by Securities and Exchange Board of India, The Stock Exchanges & The Depositories.

• Responsibility:

- ✓ The Compliance Officer shall be responsible for the implementation and supervision of this Policy.
- ✓ The Risk Management Officer, Settlement Officer & PMLA Officer shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.
- ✓ The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.
- ✓ The Compliance Officer shall exercise their independent judgment and take adequate precautions to ensure implementation of an effective surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.
- ✓ The Internal Auditor of the Company, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.
- ✓ The Board of Directors shall peruse, review and provide necessary guidance with regard to the

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"Surveillance Policy", periodically, for strengthening the processes.

- **Policy Procedures for Disposition of Alerts:**

✓ **Downloading of Transaction Alerts**: The Transaction Alerts provided by the Stock Exchanges and internally generated by the Back-Office Software shall be downloaded by "The Risk Management Team" on a regular basis and the same shall be forwarded to the Designated Directors, Compliance Officer and the KYC Officer.

✓ **Client(s) Information:** The "KYC- Officer" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Transaction Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client is updated in UCC database of the respective Exchanges. Based on the Client Information, the said officer shall establish Groups/Association amongst clients to identify multiple accounts/ common account/group of clients.

✓ **Documentation:** The Risk Management Team in order to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified based on the Transaction Alerts, shall do the following:

- Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
- Seek documentary evidence such as Bank Statement/Demat Transaction Statement or any other documents to satisfy itself.
- In case of Funds, Bank Statements of the Client(s)/Group of Client(s) from which Funds pay-in have been met, to be sought.
- In case of Securities, Demat Account Statements of the Client(s)/Group of Client(s) from which Securities pay-in have been met, to be sought.
- The period of such statements mentioned in point (c) & (d) may be at least
- +/- 15 days from the date of transactions to verify whether the funds/ securities for the settlement of such trades actually belongs to the client to whom the trades were transacted.

✓ **Analysis:** Upon receipt of the above-mentioned documents, the Compliance Officer and the Risk Management Team shall analyze the documents sought from the Client as well as the KYC & KRA of the Client and shall record the observations for such identified transactions or Client(s)/Group of Client(s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation.

- **Steps to be taken for analysis of each alert by Compliance Team:**

✓ **Alert Generation System**: The Risk Management Team generates alert reports at the end of each day from the Back-Office Software which is analyzed to identify suspicious transactions. Alerts from Stock Exchanges and Depositories are also collated.

- **Quality of Dealing:**
  - Identify scrips in BE, T and TS having 50 % of Exchange volume.
  - Segregate the scrip volume based on the security category (e.g., EQ and BE in case of NSE and A, B, T, etc., in case of BSE).
  - Identify the clients and check the bonafide of transactions.
- **High Value Deals:**
  - Review the deals above Rs. 25 Lacs in single scrip.
  - In case of buy deals, check whether sufficient margin is available.
  - In case of sale deal, check whether the shares are available.
  - Identify scrips where deals are persistently contributing higher volumes.
  - Identify clients, who have taken high value positions, review their ledger accounts in order to verify whether there is sudden increase in.
- **Significant increase in client activity: Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity. In such cases the following shall be examined:**
  - Transaction Turnover more than Rs. 10.00 Lacs.
  - Delivery Turnover more than Rs. 1.00 Lacs.
  - Deal size more than 2 times of the average deal size.
  - Whether such volume is justified given the background of the client and his past trading activity.
  - Cumulative amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
  - Whether such inflow of funds is in line with the financial status of the client.
  - Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.
- **Sudden trading activity in dormant accounts: This refers to such cases where the client has not traded more than 3 months and suddenly starts/resumes trading in stocks or low market capitalized scrips**

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or enters into transaction which is not in line with his financial strength. In such cases following shall be reviewed and examined:

- Trade Gap Analysis for more than 90 days.
- Reasons for trading in such scrips/contracts.
- Whether the client is only placing the order or is it some third party.
- Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips/contracts through use of such dormant accounts.

- **Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another through use of such dormant account**
- **Clients/Group of Client(s), dealing in common scrips: Such dealing is contributing significantly to the volume of the scrip at broker level and at the Stock Exchange level. The following shall be reviewed and examined:**
  - Reasons for trading in such scrips.
  - Whether there is any concerted attempt by a client(s)/Group of Client(s) to impact the prices of such scrips.
  - Whether there is any concerted attempt by a client (s)/Group of Client(s) to indulge in movement of profit/loss from one client to another.
  - In case a client/ group of clients contributed more than 40% volume at Exchange level, repeatedly in the same scrip in last fifteen-day, client(s) is / are accumulating the scrip.
  - Check if client(s) is/ are transferring the same to third party Demat accounts through off-market transactions.
- **Client(s)/Group of Client(s) concentrated in a few illiquid scrips: The following shall be reviewed and examined:**
  - Typically, the Risk Management Team shall block trading in scrips which are listed as Illiquid Scrips by the Stock Exchanges through its circulars.
  - Any trading in such scrips are done on specific request by client, and the same is allowed by the Compliance Officer only upon scrutiny of the beneficial ownership of the selling, pre-pay-in of funds by the buying client and trades are executed at the last traded price.
  - Activity concentrated in illiquid scrips.
  - Sudden activity in illiquid securities.
  - Reasons for trading in such scrips.
  - Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices

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of such scrips.

- Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another.
- Percentage of Client(s)/Group of Client(s) activity to total market in the scrip/contract is high.
- Identify clients who have traded in these scrips more than 25% of Exchange volume.

- **Client(s)/Group of Client(s) dealing in scrip in minimum lot size/Concentration in scrip: The following shall be reviewed and examined:**
  - Reasons for such trading behavior.
  - Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.
  - Whether such transactions indicate towards probability of illegal trading at the clients' end.
- **Synchronized Trades/Cross Trades/Circular Trading:**
  - Scrutinize Synchronized/Cross Trade Report generated by the system as well as the data published by the Stock Exchanges on their official website. Identify clients having cross or synchronized trades.
  - Typically, any request for Block Deal is to be handled by the Risk Management Team directly under the guidance of Compliance Officer at the Head Office Level. Trades are to be executed only upon scrutinizing/ obtaining - proof of beneficial ownership of the selling client, proof of availability of funds by the buying client, pre-pay-in of shares of the selling client, pre-pay-in of funds by the buying client. Upon complying the same, trades are to be executed at the last traded price to avoid any price distortion. The executions of such trades are to be reported to the Designated Director as a routine compliance.
  - Continuous trading of client/group of clients in particular scrip over a period of time.
  - Client/group of clients contributing significant volume (broker and exchange level) in particular scrip – especially illiquid scrip.
  - Possible matching of trades with a specific group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip etc.).
  - Possible reversal of trades with the same group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip)
- **Pump and Dump:**
  - Risk Management Team to disallow trades for being executed at prices significantly away from the market and later on squaring off to earn significant profits.

- **Wash Sales or Reversal of Trades:**
  - Same Client(s)/ Group of Client(s) on both sides of the transaction. (i.e. same trade number on both the buy and sell side).
  - Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days.
  - One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options
- **Front Running:**
  - Trading, by Client(s)/ Group of Client(s)/employees, ahead of large buy/sell transactions and subsequent square off have to be identified and such transactions have to be reviewed for determining front running.
  - There is a consistent pattern of Client(s)/ Group of Client(s)/employees trading ahead of large buy/sell transactions.
- **Concentrated position in the Open Interest/high turnover concentration:**
  - Client(s)/Group of Client(s) having significant position in the total open interest of a particular scrip.
  - Client(s)/Group of Client(s) not reducing/closing their positions in spite of the scrip being in ban period.
  - Client(s)/Group of Client(s) activity accounts for a significant percentage of the total trading in the contract/securities at the Trading member and exchange level.
  - Monitor the trading pattern of Client(s)/Group of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.
  - Identify the scrips where there is sudden increase in volume or rate by comparing the Exchange volume.
  - Check whether Broker has contributed substantial volume (more than 25 %) in such scrips. Identify clients who have contributed more than 25 % of the volume at the Exchange. Check for intimation letter uploaded by the Stock Exchange for the purpose of Additional Margin.
  - Identify the clients who are trading frequently in the scrips (more than 3 times in last five days).
- **Order book spoofing i.e. large orders away from market**
  - Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract

- Repeated pattern of placement of large buy orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.

- **Impact of Trading Pattern on Price and Volume of the Scrip**
  - Identify the days on which the client has taken concentrated positions in the scrip and Compare price and volume on the Exchange on said dates to ascertain whether:
    - Increase in price or volume beyond 20%.
    - Client has taken positions at day's high or low rates.
- **Review of Client Receipts / Payments**
  - Review of Receipts/Payment details of the Client having unusual pattern of funds movement. Analyze the Receipts & Payments of the client on daily basis and on Q-to-Q basis. Daily Bank Reconciliation on a Maker-Checker basis to be conducted to scrutinize Dishonor of Cheques.
- **Relation of Client with the Management/ Promoters of the Company**
  - Check whether the client is related to management or promoters of the company in whose scrip client is trading.
  - Also check whether the client is holding more than 1% of the shares of the company.
- **Review of KYC & Turnover Vis-à-vis Financial Income Submitted by Client**
  - Review the KYC and supporting documents submitted by the client.
  - Validate volume done by the client with his financial net worth and margin provided.
  - Identify the clients whose turnover is disproportionate with the Annual Income provided in KYC.
  - Review the Risk categorization of the client and categorize the client based on the validation done.
  - Scrutinize the Transactions of the clients and follow up with the concerned branches for collection of the latest financials. Seek details from Branch on the occupation, social and financial status of client. If Branch feedback on client is not satisfactory, refer the case to the Principal Officer.
- **Graded Surveillance Measures (GSM):**

In continuation with the various measures implemented above to enhance market integrity and safeguard interest of investors, the Compliance Officer and Risk Management Team shall also implement the Graded Surveillance Measures (GSM) on securities that witness an abnormal price rise that is not commensurate with financial health and fundamentals of the company.

At present, there are 6 stages defined under GSM framework viz. from Stage I to Stage VI. Surveillance

action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. Stage wise Surveillance actions are listed below –

Stage	Surveillance Actions
I	Transfer to Trade for Trade with price band of 5% or lower as applicable.
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be collected from Buyer.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be collected from Buyer.
V	Trading permitted once a month (First Monday of the month) with ASD of 200% of trade value to be collected from Buyer.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be collected from Buyer.

The Risk Management Team has to be extra cautious and diligent while dealing in such securities as they have been placed under higher level of surveillance. A file containing stage wise GSM details is available on the website of NSE and BSE at the following link:

- ✓ **https://www.nseindia.com/invest/content/equities_surv_actions.htm**
- ✓ **https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx**

GSM framework shall work in addition to existing actions undertaken by the Exchange on the company's securities.

- **Additional Surveillance Measure (ASM)**

The Compliance Officer and Risk Management Team shall also implement Additional Surveillance Measure along with the aforesaid measures on securities with surveillance concerns based on objective parameters viz. Price variation, Volatility etc.

The shortlisting of securities for placing in ASM is based on objective criteria covering the following parameters:

- High Low Variation
- Client Concentration
- No. of Price Band Hits
- Close to Close Price Variation

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- PE ratio

The surveillance actions applicable for the shortlisted securities are as under:

- Securities shall be placed in Price Band of 5% or as directed by the Stock Exchange(s) from time to time
- Margins shall be levied at the rate of 100%.

ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

- **Unsolicited Messages (SMS Stocks):**

✓ Clients are advised to remain cautious on the unsolicited emails and SMS advising investor to buy, sell or hold securities and trade only on the basis of informed decision.

✓ Investors are also requested to share their knowledge or evidence of systemic wrongdoing, potential frauds or unethical behavior through the anonymous portal facility provided on Exchange website and mail at the following addresses:

- invg@nse.co.in
- investigation@bseindia.com

✓ Clients to exercise caution towards unsolicited emails and SMS and also request their clients to buy, sell or hold securities and trade only on the basis of informed decision. Clients are further requested not to blindly follow these unfounded rumors, tips etc. and invest after conducting appropriate analysis of respective companies.

✓ In view of above & as a part of surveillance measure to protect investor's interest and maintain market integrity, Exchange has advised members to exercise greater caution with respect to tips / rumors circulated via various mediums such as analyst websites, social networks, SMS, What's App, Blogs etc. while dealing in the securities listed on the Exchange on behalf of their clients.

✓ The Securities identified by Exchange(s) in which unsolicited SMS are circulated shall be kept suspended and barred from further buying & selling by us and shall be monitored on regular basis.

✓ The Clients shall remain cautious on the unsolicited emails and SMS advising to buy, sell or hold securities and trade only on the basis of informed decision.

✓ Broker may in exceptional circumstances, where the Client has dealt in "SMS Stocks, shall withhold the pay-out of funds and/or securities of the Client and/or suspend the Demat Accounts for Debits, without assigning any reasons, to adjust the Traded Value of Trades in such SMS Stocks with retrospective effect and transfer the same to the Designated Bank Account earmarked for this

purpose as mandated by Stock Exchange(s)/SEBI from time-to-time and retain the same till directed by the Stock Exchange(s)/SEBI for such release.

- **Surveillance in respect of Depository Participant**

- ✓ Generation of suitable surveillance alerts which may be guided by indicative themes given in point no. 2 below (the list is inclusive and not exhaustive).
- ✓ Review and disposal of transactional alerts provided by NSDL/CDSL (Transactional alerts provided by NSDL/CDSL are based on certain thresholds.
- ✓ Disposal of alerts within 30 days from the date of alerts generated at Participants end and alerts provided by NSDL/CDSL.
- ✓ Reporting to NSDL/CDSL and other authorities as applicable in case of any abnormal activity.
- ✓ Documentation of reasons for delay, if any, in disposal of alerts.
- ✓ Framework of appropriate actions that can be taken by the Participant as per obligations under Prevention of Money Laundering Act (PMLA).

Indicative themes based on which alert should be generated and maintained and reported as per the requirement:

- ✓ 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 Participant.
- ✓ 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 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.
- ✓ 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

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time.

- ✓ Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients

• Time Frame for Disposition of Alerts:

The above procedure should be completed within 15 calendar days from the last trading day of the month. In case the matter prolongs beyond 15 days the same should be reported to the Board of Directors, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Exchange, whenever required, under intimation to the Board of Directors.

• Management Information System (MIS):

- ✓ A Monthly MIS Report shall be put up by the Compliance Officer to the Board of Directors on the number of alerts pending at the beginning of the month, generated during the month, disposed off during the month and pending at the end of the month.
- ✓ Internal Auditor shall verify and submit separate report with regard to "Surveillance Policy" on a monthly basis and the actions taken in respect of the Compliances made and pending actions, if any.

• 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 and the KYC & KRA Officer 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 exchange 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 of Directors for review.
- ✓ Trading Member shall report duly approved status of the alerts on a quarter basis to the Exchange/Depository within 15 days from the end of the quarter in the prescribed format.

• Standard Operating Procedure (SOP) for Processing Surveillance Alerts

Objective:

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To establish a structured approach for the identification, monitoring, processing, and reporting of surveillance alerts generated by us and those provided by Depository. The SOP aims to ensure compliance with regulatory requirements, timely disposal of alerts, and effective monitoring to prevent and detect suspicious activities.

Scope:

This SOP applies to all surveillance alerts generated within the system and those received from Depository. It is applicable to all staff involved in surveillance, compliance, and reporting activities.

Responsibilities:

- ✓ **Compliance Officer**: Responsible for periodic review of the SOP and ensuring adherence to regulatory requirements.
- ✓ **Surveillance Team**: Responsible for the day-to-day handling of alerts, investigation, and reporting.

Alert Generation Parameters:

Alerts are triggered based on predefined as mentioned below

S No	Parameters of Alerts to be generated	Alerts to be reported	Base for reporting of Alerts
1	Alert for multiple demat accounts opened with same demographic details	Demographic details is in more than 5 demat accounts	Demographic Detail Wise
2	Alert for communication sent on Email id/address of clients are getting bounced.	All instances	Client ID wise
3	Frequent changes in details of demat account	Changes is executed more than 5 times	Client ID wise
4	Frequent Off-Market transfers by a client in a specified period	Off Market Transfers executed more than 5 times	Client ID wise
5	Off-market transfers not commensurate with the income/Net worth	All instances - Limit given up to 10 times	Client ID wise
6	Pledge transactions not commensurate with the income/Net worth	All instances - Limit given up to 10 times	Client ID wise
7	Off-market transfers (High Value) immediately after modification	All instances	Client ID wise

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S No	Parameters of Alerts to be generated	Alerts to be reported	Base for reporting of Alerts
8	Review of reasons of off-market transfers provided by client for off-market transfers visa-vis profile of the client	All instances	Client ID wise
9	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time	All instances	Client ID wise

Processing of Alerts:

- ✓ **Initial Review:**
  - The Maker will review all generated alerts within 24 hours of their generation.
  - Each alert is assessed for potential risk, and relevant information is gathered for further review.
- ✓ **Second Level Review:**
  - The alert is thoroughly investigated to determine if there is any suspicious activity.
  - The second level review includes reviewing account history, transaction details, and any other relevant data.
- ✓ **Documentation:**
  - All findings and actions taken during the investigation are documented.
  - The reason for any delay in processing the alert is recorded.
- ✓ **Escalation:**
  - If an alert is found to be of high risk or suspicious, it is escalated to the Compliance Officer immediately.
  - The escalation procedure includes notifying senior management and taking preventive actions.
- ✓ **Disposal of Alerts:**
  - **Disposal Timeline:**
    - All alerts must be processed and disposed of within 30 days of their generation.
    - The status of each alert (closed, pending, or escalated) must be updated in the system accordingly.
  - **Maker-Checker Process:**
    - The Checker reviews the actions taken by the Maker, ensuring all procedures have been followed.
    - The Checker approves the closure or further escalation of the alert.
- ✓ **Reporting:**

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- **Quarterly Reporting:**
  - A quarterly report is generated, including all alerts processed, their status, and any pending alerts.
  - The report follows the format prescribed by Depository and includes the ageing analysis of pending alerts.
- **Submission:**
  - The report is submitted to Depository by the required deadline, ensuring all fields are accurately filled out.

✓ **Review and Update:**

- **Periodic Review:**
  - The SOP is reviewed annually or as required by changes in regulatory guidelines.
  - The Compliance Officer is responsible for ensuring the SOP remains current and effective.
- **Compliance and Disciplinary Actions:**
  - Any non-compliance with the SOP, including delays in processing alerts or reporting, may lead to disciplinary actions as per the SEBI and Depositories guidelines.

- **<u>Human Resource Allocation and Competency Framework for Surveillance Function</u>**

✓ In line with SEBI and Exchange guidelines (Ref: NSE/INVG/65921), the Trading Member shall ensure that the surveillance function is managed by a competent, qualified, and adequately staffed team, proportionate to the size, scale, and complexity of the member's business operations.

Adequate Staffing of Surveillance Function

✓ The Surveillance Department shall be staffed with dedicated personnel, distinct from the dealing, sales, and client servicing teams, to ensure independence and objectivity.

✓ Staffing levels shall be reviewed periodically and scaled as per the:

- Number of active clients
- Trade volumes and value
- Business segments operated (Equity, Derivatives, Commodities, etc.)
- Number and complexity of alerts generated

✓ Additional staff shall be deployed when there is a surge in activity, new regulatory requirements, or enhanced surveillance obligations (e.g., on becoming a Qualified Stock Broker).

Mandatory Certifications for Surveillance and Related Staff

✓ To ensure competence and regulatory awareness, the following NISM certifications are mandatory for relevant personnel:

Role	Required Certification
KYC Staff	NISM **AML-KYC Certification**
Surveillance Staff	NISM AML – Transaction Monitoring Certification
Principal Officer	Certified Anti-Money Laundering Manager (CALM) by NISM

- ✓ Certification status shall be tracked through an internal compliance system.
- ✓ Newly recruited staff must complete their respective certifications within 3 months of appointment.

Annual Training and Awareness Programs

- ✓ All employees in the following departments must undergo mandatory annual training:
  - Surveillance
  - Compliance
  - Risk Management
  - Front Office (Dealers)
  - Back Office
- ✓ Training programs shall cover:
  - Changes in regulatory framework (SEBI, NSE, BSE, PMLA, etc.)
  - Red flags and suspicious transaction indicators
  - Surveillance alerts and action protocols
  - Prevention of insider trading and front-running
  - Case studies on market manipulation and misuse of client accounts
- ✓ Attendance and training logs shall be maintained and available for audit/inspection.
- ✓ Training may be conducted in-house, online (e.g., NISM e-learning portal), or via approved third-party vendors.
- ✓ The said training shall be conducted at least once in a year.

Small Active UCCs <2,000 as on 31-Mar of the previous year	**Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year**	**Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs)**	**Huge Qualified Stock Brokers (QSBs)**
▪ Any of the Principal	▪ Set up a separate	▪ Set up a separate	▪ Set up a separate

Officer (PO) / Designated Director (DD) / Compliance Officer (CO) can additionally handle the Surveillance Activities.	Surveillance Department / Team ▪ Any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) can additionally handle the Surveillance Activities. ▪ All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.	Surveillance Department / Team ▪ Appoint any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) as Chief Surveillance Officer (CSO) ▪ The surveillance Team should be adequately staffed / resourced. ▪ All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.	Surveillance Department / Team ▪ Appoint a Chief Surveillance Officer (CSO) whose job is only Surveillance (can be PO / DD / CO) ▪ The surveillance Team should be adequately staffed / resourced. ▪ All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.

Competency Monitoring

✓ Annual assessments or refresher modules may be introduced to ensure staff remains up-to-date.

✓ Surveillance staff may be rotated periodically across alert types to build broader expertise.

• Alert System Requirements

Alert System Based on UCC Thresholds

Sr. No.	Number of active UCCs with Trading member	Automated System Driven (In-house or Vendor based) Alert Generation System
1	2,000 and above	Mandatory
2	<2000*	Optional. They may have manual process of generating the alerts.

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15A Hemanta Basu Sarani, Kolkata - 700 001, India
t +91 33 98317 12550, E-mail : admin@gpsk.in
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* At the end of each Calendar Year, the Trading Member shall evaluate whether they have crossed the given threshold, then within next 1 year, they shall implement Automated System.

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Can have a manual process for alert generation	Mandated to have an alert generation system (in house or vendor based)	Mandated to have an alert generation system (in house or vendor based)	Mandated to have an alert generation system (in house or vendor based)

- ✓ Annual assessments or refresher modules may be introduced to ensure staff remains up-to-date.
- ✓ Surveillance staff may be rotated periodically across alert types to build broader expertise.

• Client Screening and Due Diligence

Mandatory KYC Compliance:

The Trading Member must strictly comply with KYC norms as prescribed by SEBI, the Exchanges, KRA (KYC Registration Agencies), and CKYC (Central KYC Registry) irrespective of any number of client base.

No Trading Without KYC:

Clients must not be permitted to trade unless they have fully completed KYC requirements irrespective of any number of client base.

AML Compliance:

The Trading Member must adhere to the SEBI Master Circular on Anti-Money Laundering (AML), specifically concerning client screening and due diligence procedures irrespective of any number of client base.

• Type of Alerts to be generated and/or reviewed

Alert Generation and Review:

- ✓ Trading Members must generate transactional alerts based on Exchange-provided red flags and indicators.
- ✓ All alerts must be reviewed and necessary actions taken, including documentation and escalation,

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wherever required.

Themes for In-House Alert Formulation

- ✓ Trading Members are expected to develop internal alerts aligned with the following indicative themes and analyze trading patterns accordingly:

Applicable to All Trading Members:

- ✓ High Concentration: Client/group accounting for a large % of trading in a scrip/contract relative to the market.
- ✓ New/Reactivated Clients: Clients with new accounts or inactive accounts returning with high volume trades.
- ✓ Frequent Small Quantity Trades: Repeated trades in minimum lot size by client/group.
- ✓ Disproportionate Trading: Trading volumes significantly higher than the client's declared income/net worth.
- ✓ Frequent KYC Changes: Repeated modifications in client KYC information.
- ✓ Pre-Announcement Trading: Clients connected to a listed entity trading ahead of price-sensitive announcements.
- ✓ Selling Concentration in Watchlisted Scrips: Clients actively selling in 'For Information' or 'Watch List' scrips (as per circular NSE/INVG/45517).
- ✓ Consistent Profit/Loss Patterns: Clients with unusual profit/loss consistency without rationale (see NSE/INVG/2019/40175).
- ✓ Pledged Shares: Clients actively trading in scrips where they have pledged shares.
- ✓ Order Origin Verification: Ensuring orders are placed by the actual client or authorized rep; compare KYC address vs dealing location.
- ✓ Relatives' Accounts: Monitor trades from relatives' accounts for potential synchronization or coordination.

Applicable to Internet-Based Trading Members:

- ✓ IP Address Monitoring: Detect multiple client codes accessing from the same IP or location.
- ✓ Exchange Alerts Review: Alerts issued by the Exchange must be reviewed and acted upon.
- ✓ Regular Alert Monitoring: Alerts must be monitored on a daily/monthly basis.
- ✓ Annual Threshold Review: Alert thresholds should be reviewed and recalibrated at least once a year to ensure relevance and adequacy.

Factors to be considered for generating alerts: (see NSE/INVG/2019/40175)

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- ✓ Every Internal / Exchange alert should be reviewed periodically by the Trading Members at least every 30 days till such time the alert is open.

- **Obligation of Trading Members and its Employees, Internal Controls**

The Trading Members shall have adequate systems in place to ensure that its proprietary accounts are used only for the purpose of carrying out proprietary trades and that its operations are in accordance with the requirements as may be specified by the Board or the stock exchanges from time to time.

For Small Active UCCs <2,000 as on 31-Mar of the previous year and Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year

- ✓ All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its Board at least once a year.

For Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs) and Huge Qualified Stock Brokers (QSBs)

- ✓ All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its Board at least once a year along **with recommendatory internal auditor report on this topic**.

The Trading Members shall ensure that -

- ✓ Its trading terminals are used only by its employees (including employees of holding / subsidiary companies) and / or Authorised Persons and
- ✓ Only at locations approved by the Stock Exchanges and
- ✓ That such terminals shall not be used by its clients in any form or manner.

For Small Active UCCs <2,000 as on 31-Mar of the previous year

- ✓ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)
- ✓ Maintain attendance sheet or webcam / CCTV etc.

For Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year

- ✓ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)
- ✓ Maintain attendance sheet or webcam / CCTV etc.

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- ✓ **Recommendatory surprise visits / random inspections**

For Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs) and Huge Qualified Stock Brokers (QSBs)

- ✓ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)
- ✓ Maintain attendance sheet or webcam / CCTV etc.
- ✓ **Mandatory surprise visits / random inspections**

Detection of Mule Accounts

Trading Members must establish and maintain documented processes and systems to detect potential mule accounts or any suspicious activity related to account operations.

Standard Operating Procedure (SOP) to be Framed:

For Individual Clients:

SOP must address situations where authority to operate the trading account is granted to someone other than family members, as defined under the Companies Act, 2013, or SEBI-registered entities.

For Non-Individual Clients:

SOP must identify and flag instances where authority to operate the account is granted to individuals outside of employees (including group company employees), apex body members (e.g., directors, partners, trustees), or the promoter/promoter group.

Employee Reporting of Suspicious Activity

- ✓ Any employee who becomes aware of fraud, market abuse, or suspicious activity must immediately report it to senior management.
- ✓ A clear internal reporting mechanism should be defined and implemented.

Annual Staff Communication

Trading Members must issue an annual reminder communication to all employees, reiterating their obligation to report such activity.

- ➢ This is Mandatory for Medium, Large Trading Members, and Qualified Stock Brokers (QSBs)
- ➢ Recommendatory for Small Trading Members

- **Escalation and Reporting Mechanisms**

Quarterly Review by Apex Body

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- ✓ The Apex Body (Board of Directors, Audit Committee, or equivalent authority) must review compliance with the surveillance framework at least once every quarter.
  - ➢ This review must include evaluation of:
  - ➢ The effectiveness of internal controls
  - ➢ Adequacy of reporting systems
  - ➢ Analysis of relevant surveillance data
- ✓ A Quarterly MIS on surveillance activities must be submitted to the Apex Body.

Reporting of Suspicious Activity to the Exchange

- ✓ Upon detection of suspicious activity, Trading Members must:
- ✓ Report the incident within 48 hours
- ✓ Use the Member Surveillance Dashboard (MSD) or designated Exchange email
- ✓ Follow format/procedure prescribed by SEBI/Stock Exchange

Half-Yearly Action Taken / NIL Report

- ✓ Trading Members must submit a half-yearly report to the Exchange consisting of:
  - ➢ Summary analysis of suspicious activities, fraud, or market abuse
  - ➢ Action Taken Reports (ATRs) for reported incidents
  - ➢ A 'Nil Report' if no suspicious activity was detected
- ✓ Reporting to be done in the manner prescribed under NSE Circular NSE/SURV/44477 dated May 27, 2020.

Reporting of Internal Control Deviations

- ✓ Any deviation in internal controls, surveillance policy, risk management, or client onboarding policies must:
  - ➢ Be reported to the Apex Body along with corrective action plans
  - ➢ Be submitted to the Exchange as part of the half-yearly reporting requirement
- ✓ The Principal Officer, Designated Director, Compliance Officer, or Chief Surveillance Officer (as applicable) is responsible for submitting these reports.

Seeking Guidance from Exchange

If a suspicious activity is detected, but the Trading Member cannot confirm a regulatory violation due to lack of information:

- ✓ The Exchange should be approached for guidance and support
- ✓ Reporting must follow the format mentioned in NSE/SURV/44477

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Factors to be assessed while reviewing the alerts (see NSE/INVG/2019/40175)

- **Accountability matrix**

In addition to the above, the Trading Members shall have an accountability grid for different types of suspicious behaviour. A model accountability grid is as under:

Who is being surveilled	Responsibility of trade surveillance on
CEO/Executive Director(s)/Senior Management / Key Managerial Personnel	Board of Directors in case of or Audit Committee
Promoters	Board of Directors or Audit Committee
Employees	Senior Management /Key Managerial Personnel, Designated Director* and CEO
Clients	Official heading the trade surveillance function under supervision of senior management, Compliance Officer of the Trading Members and Designated Director* and CEO
Authorised Persons	Official heading the trade surveillance function under supervision of senior management, Compliance Officer of the stock `broker and Designated Director* and CEO

*"Designated Director" shall have the same meaning as assigned to it under the Prevention of Money-Laundering (Maintenance of Records Rules), 2005.

Obligation of Designated Director / Partners / Proprietors and Internal Auditor of the Trading Member:

- ✓ Designated Directors / Partners / Proprietor would be responsible for all surveillance activities carried out by the Trading member.
- ✓ 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.

Conflict of Interest

Trading Members who have more than 2000 active UCCs shall identify surveillance department as critical and

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physically protected to allow only authorised access. The Trading Member to adopt Chinese Wall policies and procedures to prevent unauthorized exchange of information between critical and non-critical departments.

• Whistle Blower Policy

Objective

This Whistle Blower Policy is intended to provide a platform for employees, clients, and stakeholders to report unethical behavior, actual or suspected fraud, market abuse, or any violation of the company's code of conduct or applicable laws.

Scope

This policy applies to all employees, directors and clients.

Whistle Blower Committee Formation

A Whistle Blower Committee shall be constituted consisting of at least two senior members of the organization. This committee will:

- ✓ Oversee the whistle blowing process
- ✓ Guide the redressal mechanism
- ✓ Ensure the confidentiality and integrity of the complaints process

Appointment of Redressal Head

A Whistle Blower Redressal Head shall be appointed who shall:

- ✓ Receive and register all whistle blower complaints
- ✓ Conduct a preliminary review of the complaints
- ✓ Report to and work under the guidance of the Whistle Blower Committee

Reporting Mechanism

A dedicated email ID has been created for reporting concerns under this policy:

- ✓ Email ID: [Insert Email ID]
- ✓ All concerns must be submitted with reasonable evidence or detail
- ✓ Anonymous complaints will be considered at the discretion of the Committee

Approval and Review

This policy shall be approved by the apex body:

- ✓ Board of Directors (for corporate members)
- ✓ Partners (for partnership firms)

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- ✓ Proprietor (for sole proprietorships)

The policy shall be reviewed annually to ensure continued relevance and effectiveness.

Protection of Whistle Blowers

- ✓ The identity of the whistle blower shall be kept confidential.
- ✓ The whistle blower shall be protected against any form of retaliation, discrimination, or harassment.
- ✓ Any victimization of the whistle blower shall be treated as a disciplinary offence.

Redressal and Escalation Process

- ✓ Complaints against Board of Directors, MD, CEO, KMPs, Designated Directors, or Promoters shall be addressed directly to the Audit Committee or an equivalent oversight body.
- ✓ Complaints against other employees shall be directed to the Compliance Officer, who shall investigate and take appropriate action in coordination with the Redressal Head and Whistle Blower Committee.

Recordkeeping and Reporting

- ✓ All complaints, investigations, findings, and actions taken shall be documented and securely stored.
- ✓ A summary of whistle blower complaints and actions taken shall be presented to the Apex Body at regular intervals.

The policy is reviewed annually and approved by the Board and any change in the Policy will be adopted as and when required by the company and is binding on all the Staff/Employees/and Directors of the Company.

For M/s. GPSK Capital Private Limited,

Prashant Kumar Mantri
Director/Compliance Officer

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