



ELIXIR EQUITIES PRIVATE LIMITED

**SOP FOR SURVEILLANCE OBLIGATION**

**ELIXIR EQUITIES PVT. LTD.**

**Member: - BSE, NSE & CDSL**

## **Objectives**

1. Alerts to be generated.
2. Threshold limits and the rationale for the same.
3. Review process.
4. Time frame for disposition of alerts and if there is any delay in disposition, reason for the same should be documented.
5. Suspicious/Manipulative activity identification and reporting process.
6. Record Maintenance

## **Surveillance Framework**

Under the exchange/regulatory directives, it is mandatory to have appropriate surveillance policies and systems in place to detect, monitor, and analyze transactions. For the above we have to co-relate the transaction data with their clients' information/data and Detect suspicious/manipulative transactions is an ongoing continuous process with analysis of trades and transactions and carrying out Client Due Diligence (CDD) on a continuous basis.

In order to implement the exchange/Depository directives, they have provided us with the following alerts, which have to be reviewed by us. In addition to this, we have also developed in-house surveillance systems. Both types of alerts are processed within 30 days as DP and 45 days as a stockbroker from the date of alerts downloaded by the Exchanges/Depository, as well as alerts generated by our end. The details of both these have been enumerated below:

### **I. EXCHANGE ALERTS**

<b>Sr. No.</b>	<b>Transactional Alerts</b>	<b>Segment</b>
1	Significant increase in client activity	Cash
2	Sudden trading activity in dormant accounts	Cash
3	Clients/Group of Clients dealing in common scrips	Cash
4	Client/Group of Clients concentrated trading in illiquid securities	Cash
5	Client/Group of Clients concentration in a specific scrip	Cash
6	Circular trading	Cash
7	Pump and Dump	Cash
8	Reversal of trades	Cash/Derivatives
9	Front running	Cash
10	Concentration of open position/high turnover in a particular contract	Derivatives
11	Order book spoofing (large orders away from market prices)	Cash

### **II. CDSL/NSDL Alerts**

1. Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.

2. Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3. Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4. Frequent Off-Market transfers by a client in a specified period.
5. Off-market transfers are not commensurate with the client's income/net worth.
6. Pledge transactions are not commensurate with the client's income/net worth.
7. Off-market transfers (High Value) immediately after modification of details in demat account.
8. Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales.
9. Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
10. Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

### **III. IN-HOUSE ALERTS**

1. Client/group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip/contract compared to the market.
2. Client/group of clients with new accounts or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value/percentage of total trading activity in a scrip/contract compared to the market.
3. Client/group of clients frequently dealing in small quantities/minimum market lot in a scrip /contract.
4. Disproportionate trading activity vs reported income / Net worth.
5. Frequent changes in KYC submitted by clients.
6. Based on an announcement by a listed company, identify a Client/group of clients having possible direct/indirect connection with a listed company who have undertaken any suspicious trading activity before a sensitive announcement by said listed company.
7. Client/group of clients having significant selling concentration in the scrips, forming part of 'For information list' or 'Current Watch list'.
8. Consistency in profit/loss at client/group of clients' levels, the rationale for such trading activities.
9. Significant trading activity in scrips by a client who has pledged the shares of the same scrip.
10. In case of concerns about the trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorised representatives and monitoring the client's address as per KYC Vis a vis the dealing office address.
11. Related to DP Operation: Significant trading activity in scrips where the client has pledged shares or has significant holding or as frequent off-market transactions.

#### **A. Obligation for client due diligence:**

1. We will carry out the Due Diligence of their client(s) continuously.
2. We shall ensure that the client's key KYC parameters are updated on a periodic basis as prescribed by SEBI and that the client's latest information is updated in the UCC database of the

Exchange. We shall also ensure that the client's key KYC parameters are updated periodically as prescribed by SEBI and that the client's latest information is updated in the Depository System.

3. Based on available information, we shall establish groups/associations amongst clients, among other things, to identify multiple accounts / common accounts/groups of clients.

**B. Obligations For processing of alerts:**

1. We shall obtain trading rationale and necessary documentation, including bank statements and demat statements, for analyzing/processing the alerts.
2. After analysing the documentary evidence, we shall record its observations for such identified transactions of its Client / Group of Clients.
3. With respect to the transactional alerts downloaded by the Exchange, we shall ensure that all alerts are analyzed and the status thereof (Verified & Closed / Verified & Sent to Exchange), including action taken, is updated within 45 days in the Member Surveillance Dashboard.
4. With respect to the alerts generated, we shall report instances with adverse observations, along with details of action taken, to the Exchange within 45 days of the alert generation.

**C. For DP Operations:**

1. We will maintain register (electronic/physical) for recording of all alerts generated.
2. While reviewing alerts, we shall obtain transaction rationale, verify the demat statement, and obtain supporting documents as required from the client.
3. After verifying the documentary evidence, we will record its observations for such identified transactions of its client.
4. For the transactional alerts provided by the Depository, we shall ensure that all alerts are reviewed and the status thereof (Verified & Closed / Verified & Reported to Depository), including action taken, is updated within 30 days. A detailed procedure for sharing the alert by the repository with DPs and report submission by DPs in this regard will be provided separately.
5. With respect to the alerts generated at our end, we shall report instances with adverse observation, along with details of action taken within seven days of the date of identification of adverse observation.

**D. Obligation of Compliance officer, Designated Director / Partners / Proprietors:**

1. The surveillance activities shall be conducted under overall supervision of its Compliance Officer.
2. A quarterly MIS shall be put up to the Designated Director / Partners / Proprietor 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 / Partners / Proprietor shall be apprised of any exception noticed during the disposition of alerts.
3. Designated Directors / Partners / Proprietor would be responsible for all surveillance activities carried out.

**E. Obligation of Quarterly reporting of the status of the alerts generated to Exchanges/Depository:**

We will provide duly approved status of the alerts every quarter, in the prescribed format to the Exchange/Depository within 15 days from end of the quarter

1. A daily reporting of the alerts to the designated director/Partner/Proprietor and principal officer.
2. Quarterly MIS to the Board of Directors/Partner/Proprietor if there are alerts as to the number of alerts received, disposed of during the quarter and pending at the end of the quarter, and the reasons for pendency should be discussed, and appropriate action taken for disposing of the alerts.
3. The surveillance process is to be conducted under the overall supervision of its Compliance Officer/Principal Officer. The compliance officer of the company and their team would be responsible for all surveillance activities carried out for record maintenance and reporting under the supervision of the designated director.

For **ELIXIR EQUITIES PVT. LTD.**

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