



Obsidian Investment Private Limited

OBSIDIAN INVESTMENT PRIVATE LIMITED

SURVEILLANCE POLICY

Policy Version	1.0
Effective Date	May 18, 2025
Review Frequency	Annually or upon regulatory change
Prepared By	Compliance Department
First Approval	Operations Committee
Final Approval	Internal Committee/Board of Directors

1. Introduction

1.1 Obsidian Investment Private Limited ("OIPL" or "the Company") is a stock broker registered with the Securities and Exchange Board of India (SEBI). The Company is a trading member of the National Stock Exchange of India Limited (NSE).

1.2 The Company protects market integrity, transparency, and the interest of investors. The Company therefore adopts this Surveillance Policy.

1.3 This Policy states how the Company monitors, detects, prevents, investigates, escalates, and reports suspicious or abnormal trading activity.

1.4 This Policy is part of the compliance, surveillance, risk management, and internal control framework of the Company. It applies to all employees, directors, dealers, authorised persons, branch staff, and clients of the Company.

2. Objectives

The objectives of this Policy are as follows:

2.1 To operate an effective surveillance framework that identifies suspicious and manipulative trading activity.

2.2 To detect and to prevent market abuse. Market abuse includes insider trading, front running, spoofing, circular trading, wash trades, pump and dump activity, unauthorised trading, and the use of mule accounts.

2.3 To comply with the SEBI regulations, the Exchange circulars, and the other regulatory requirements that apply to the Company.

2.4 To protect the interest of investors and to keep the securities market fair.

2.5 To strengthen the internal controls and the governance of the Company.

2.6 To escalate and to report suspicious activity within the prescribed time limits.

2.7 To align the surveillance work with the AML and PMLA framework and with the risk management system of the Company.

3. Scope

3.1 This Policy applies to the NSE Capital Market (Cash / Equity) segment. It also applies to each other segment, exchange, or depository that the Company joins later.

3.2 This Policy covers client trades, proprietary trades, internet-based trades, dealer-assisted trades, and algorithmic trades.

3.3 This Policy covers each surveillance system and each monitoring tool that the Company uses.

3.4 This Policy applies to all directors, employees, dealers, authorised persons, branch staff, compliance staff, and surveillance staff of the Company.

4. Regulatory framework

The Company frames this Policy under the following, as amended from time to time:

- 4.1 The Securities and Exchange Board of India Act, 1992.
- 4.2 The SEBI (Stock Brokers) Regulations, 1992.
- 4.3 The SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
- 4.4 The SEBI (Prohibition of Insider Trading) Regulations, 2015.
- 4.5 The Prevention of Money Laundering Act, 2002, and the rules made under that Act.
- 4.6 The SEBI Master Circular for Stock Brokers.
- 4.7 The SEBI Master Circular on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).
- 4.8 SEBI circular SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 dated March 23, 2023.
- 4.9 The SEBI circular dated July 04, 2024 on the institutional mechanism for the prevention and detection of fraud or market abuse by a stock broker.
- 4.10 NSE circular Ref. No. 452/2021 dated July 1, 2021.
- 4.11 NSE circular NSE/INVG/65921 dated December 31, 2024.
- 4.12 Each other circular, guideline, notification, and direction that SEBI, the Exchanges, FIU-IND, or another regulatory authority issues from time to time.

5. Governance and accountability

- 5.1 Board of Directors. The Board has overall oversight of the surveillance framework. The Board approves this Policy and each amendment to it. The Board reviews the adequacy and the effectiveness of the surveillance mechanism, the internal controls, and the reporting systems at least once each year.
- 5.2 Compliance Officer and Principal Officer. The Compliance Officer and the Principal Officer implement and administer the surveillance framework. They supervise the review of alerts, the investigation of suspicious activity, the escalation of adverse findings, and the reporting to the Exchange and to SEBI. They are responsible for the records of all surveillance activity.
- 5.3 Surveillance and Compliance staff. The staff review the Exchange alerts and the internal alerts each day. The staff investigate suspicious activity, keep the records and the documents, and escalate suspicious matters to senior management.
- 5.4 Dealers, branch staff, authorised persons, and employees. These persons stay alert. They report each suspicious or unusual activity to the Compliance Officer immediately.
- 5.5 The Company keeps an accountability record for the surveillance duties of its employees, its authorised persons, and its senior management.

6. Surveillance mechanism

6.1 The Company uses the alerts that the Exchange provides and the alerts that the Company generates. The Company downloads the Exchange alerts from the Exchange portal and reviews them together with its own alerts.

6.2 Transactional alerts downloaded from the Exchange. The Company downloads and reviews the following alerts:

- Significant increase in client activity.
- Sudden trading activity in a dormant account.
- Clients or a group of clients who deal in common scrips.
- Clients or a group of clients who concentrate in a few illiquid scrips.
- Clients or a group of clients who deal in a scrip in the minimum lot size.
- Concentration of a client or a group of clients in one scrip.
- Circular trading.
- Pump and dump. Pump and dump is the touting of the stock of a company, usually a small or microcap company, with false and misleading statements to the market.
- Wash sales. A wash sale is trading activity in which a person sells a security at a loss and buys a substantially identical security.
- Reversal of trades.
- Front running. Front running is the execution of an order in a security for the own account of the member, with advance knowledge of the orders of its clients.
- Concentrated position in the open interest, or high turnover concentration.
- Order book spoofing, that is, large orders away from the market price.

6.3 Alerts generated by the Company. The Company also generates the following alerts to monitor the trading activity of its clients:

- A client or a group of clients who account for a significant percentage of the total trading activity in a scrip or a contract, compared with the market.
- A client or a group of clients with a new account, or a client who deals after a long time gap, who account for a significant value or percentage of the total trading activity in a scrip or a contract, compared with the market.
- A client or a group of clients who deal frequently in small quantities, or in the minimum market lot, in a scrip or a contract.
- Trading activity that is disproportionate to the reported income or the net worth of the client.
- Frequent changes in the KYC details that a client submits.
- A client or a group of clients with a possible direct or indirect connection to a listed company, who trade in a suspicious manner before a price sensitive announcement by that listed company.
- A client or a group of clients with a significant selling concentration in a scrip that forms part of the "For Information list" or the "Current Watch list" of the Exchange.
- Consistency in the profit or the loss at the level of a client or a group of clients, and the rationale for that trading activity.

- Significant trading activity in a scrip by a client who has pledged the shares of the same scrip.
- Whether the orders come from the client or from the authorised representative of the client, and whether the address of the client in the KYC record agrees with the address of the dealing office. The Company checks these points when it has a concern about the trading activity of a client or a group of clients in a scrip.
- Significant trading activity in a scrip in which the client has pledged shares, holds a significant quantity, or makes frequent off-market transactions.
- The IP addresses of clients. This check includes the identification of multiple client codes that trade from the same location.

6.4 Internet-based trading. For internet-based trading the Company may monitor the following:

- Multiple client codes that operate from the same IP address or the same device.
- Unusual login patterns and shared devices.
- A common mobile number or a common email ID among clients who are not related.
- Other indicators of suspicious or fraudulent activity.

6.5 Enhanced monitoring. The Company applies enhanced monitoring and enhanced due diligence to high-risk clients, politically exposed persons (PEPs), dormant accounts, connected entities, clients who trade in illiquid securities, and clients with unusual trading behaviour.

6.6 The Company also monitors internal alerts for wash trades, self-trades, circular trading, spoofing, layering, front running, insider trading patterns, pump and dump activity, mule accounts, unauthorised trading, and suspicious trading around a price sensitive announcement.

7. Preventive controls

7.1 The Company may apply the following preventive controls:

- Block or restrict trading in an identified security.
- Collect an additional margin for a volatile security or contract.
- Apply a trade execution range control.
- Complete an enhanced due diligence of the client.
- Restrict a suspicious transaction.
- Apply additional monitoring to a branch or an authorised person.

7.2 The Company may make surprise inspections and branch visits. The Company may review the activity of an authorised person to confirm compliance with the regulations and with the internal controls.

8. Client due diligence

8.1 The Company carries out the due diligence of each client on an ongoing basis.

8.2 The Company updates the key KYC parameters at regular intervals. The Company keeps the latest client information in the Unique Client Code (UCC) database of the Exchange and of the Depository.

8.3 The Company uses this information to establish the groups and the associations among its clients. This step identifies multiple accounts, common accounts, and groups of clients.

9. Analysis of alerts

To analyse the trading activity of a client, a group of clients, or a scrip that an alert identifies, the Company follows this procedure:

9.1 The Company asks the identified client or group of clients for an explanation of the transactions.

9.2 The Company asks for documentary evidence, such as a bank statement or a demat transaction statement.

9.2.1 For funds, the Company asks for the bank statement of the client or the group of clients from which the funds pay-in came.

9.2.2 For securities, the Company asks for the demat account statement of the client or the group of clients from which the securities pay-in came.

9.2.3 The statement covers at least 15 days from the date of the transaction. This period lets the Company verify that the funds or the securities for the settlement belong to the client for whom it executed the trades.

9.3 The Company reviews each alert on the following basis:

- The type of alert that the Exchange provides.
- The financial details of the client.
- The past trading pattern of the client or the client group.
- The bank and demat transaction details.
- Other connected clients in the UCC database, such as a common email ID, a common mobile number, a common address, or another link.
- Other information that is available to the public.

9.4 The Company records its observations on the identified transactions, client, or group of clients after it analyses the documentary evidence.

10. Disposition, escalation, and reporting

10.1 The Company disposes of each alert within 30 days of the generation of the alert. If a disposition takes longer, the Company records the reason in writing.

10.2 If the Company identifies a suspicious or manipulative activity, it records the activity in the register that it keeps for this purpose. The Company reports the activity to the Exchange within 45 days of the generation of the alert. The Company may ask the Exchange for an extension of this period when it needs one.

10.3 If the Company records an adverse observation, the Compliance Officer reports each such instance to the Exchange within 45 days of the generation of the alert.

10.4 The Company escalates a suspicious or abnormal activity to the Compliance Officer, the Principal Officer, and senior management immediately.

10.5 The Company prepares a quarterly MIS report for the Board of Directors. The report gives the number of alerts pending at the start of the quarter, generated during the quarter, disposed of during the quarter, and pending at the end of the quarter. The Board discusses the reasons for the pending alerts and takes the appropriate action. The Company also informs the Board of each exception that it notices during the disposition of alerts.

10.6 The Company keeps the alerts, the investigations, and the reports confidential.

11. Code of conduct and control of unverified news

11.1 The employees of the Company do not encourage or circulate a rumour or unverified information that they get from a client, from the industry, from a trade, or from any other source.

11.2 The Company supervises the access of its employees to social media platforms, instant messaging services, VoIP services, blogs, chat forums, websites, and email. The Company treats the usage logs of these media as records and keeps them for the period that the regulations prescribe.

11.3 An employee who receives market related news, on an official email account, a personal email account, a blog, or in any other manner, forwards that news only after the Compliance Officer sees and approves it.

11.4 An employee who does not follow clause 11.3 violates the provisions of the SEBI Act and the rules and regulations made under that Act. That employee is liable for action. The Compliance Officer is also liable for a breach of duty in this regard.

12. Reporting of code of conduct violations under the PIT Regulations

12.1 The Company informs the Exchange and the Depository, where the concerned securities are traded, of each violation of the Code of Conduct under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Company reports in the format that SEBI specifies, as given in Annexure 1.

12.2 The Company remits each amount that it collects for a violation of the Code of Conduct to SEBI, for credit to the Investor Protection and Education Fund (IPEF). The Company pays by NEFT, RTGS, IMPS, the SEBI Payment Gateway, or another mode that SEBI specifies. The bank details are as follows:

Name of beneficiary: SEBI - IPEF

Bank name: Bank of India

Bank branch: Bandra Kurla Complex (BKC)

Account number: 012210210000008

IFSC code: BKID0000122

13. System driven disclosures

13.1 The Company supports the mechanism for system driven disclosures.

13.2 The system driven disclosures cover trading in equity shares and in equity derivative instruments, in the formats given in Annexure 2 and Annexure 3.

14. Coordination with the AML and PMLA framework

14.1 The surveillance framework works together with the Anti-Money Laundering (AML) Policy, the PMLA framework, the client due diligence procedures, and the risk management system of the Company.

14.2 The Company also examines a suspicious trading activity that it identifies during a surveillance review from the AML and PMLA point of view, where that view applies.

15. Monitoring of employees and authorised persons

15.1 The Company may monitor the activity of its employees and its authorised persons. The Company may review voice recordings, review email where that applies, review trading patterns, make surprise inspections, and analyse the concentration of business for each authorised person.

15.2 An employee or an authorised person reports each suspected fraud, market abuse, unauthorised trade, or suspicious activity to the Compliance Department or to senior management immediately.

16. Internal controls and the Chinese Wall

16.1 The Company keeps adequate internal controls. These controls include a maker-checker mechanism, segregation of duties, restricted access to sensitive information, and need-to-know access controls.

16.2 The Company keeps Chinese Wall arrangements between the critical departments and the other departments. These arrangements prevent the misuse of confidential information and of unpublished price sensitive information (UPSI).

17. Whistle blower mechanism

17.1 The Company keeps a whistle blower mechanism. The mechanism lets an employee or an associated person report a suspected fraud, market abuse, unethical conduct, regulatory violation, or suspicious activity.

17.2 The Company protects a person who makes a report under clause 17.1 from retaliation and from any adverse consequence.

18. Record keeping

18.1 The Company keeps the records of the surveillance alerts, the investigations, the client communications, the regulatory reports, the internal reviews, the escalation notes, and the MIS reports.

18.2 The Company keeps these records for at least five years, or for the longer period that the applicable law prescribes.

19. Training and awareness

19.1 The Company conducts training and awareness programmes for its employees, dealers, authorised persons, surveillance staff, and compliance staff at regular intervals. The programmes cover the surveillance

duties, the AML and PMLA duties, the indicators of market abuse, the regulatory changes, and the Exchange circulars.

19.2 The employees who handle the surveillance function and the AML function obtain the certifications that SEBI, NSE, or another regulatory authority prescribes.

20. Internal audit and system audit

20.1 The Internal Auditor reviews the surveillance framework at regular intervals. The review covers the adequacy of the internal controls, the generation of alerts, the investigation and closure process, and the compliance with the regulatory requirements.

20.2 The Internal Auditor reviews the alerts that the Company generated during the audit period. The Internal Auditor records the observations in the audit report.

20.3 The Company reports the audit observations and the deficiencies to senior management. The Company corrects each deficiency promptly.

21. Review of thresholds and parameters

21.1 The Company reviews and recalibrates the surveillance thresholds, the monitoring parameters, the alert scenarios, and the internal controls at regular intervals.

21.2 The review considers the regulatory changes, the risk assessment, the business profile, the trading patterns, and the market developments.

22. Non-compliance

22.1 A violation of this Policy, of a surveillance duty, or of a regulatory requirement may lead to disciplinary action, suspension of trading privileges, a report to the regulator, a financial penalty, termination of employment or association, or another action that the Company or a regulatory authority considers appropriate.

23. Review of the Policy

23.1 The Company reviews this Policy at least once each year. The Company reviews the Policy earlier if the SEBI regulations, the Exchange circulars, the operational requirements, or the business needs change.

23.2 The Board of Directors, or the competent authority of the Company, approves each amendment to this Policy.

**Annexure 1 - Format for the report of a violation of the Code of Conduct under the SEBI
(Prohibition of Insider Trading) Regulations, 2015**

Sr. No.	Particulars	Details										
1	Name of the listed company/ Intermediary/ Fiduciary											
2	Please tick appropriate checkbox Reporting in capacity of : Listed Company Intermediary Fiduciary											
3	A. Details of Designated Person (DP) i. Name of the DP ii. PAN of the DP iii. Designation of DP iv. Functional Role of DP v. Whether DP is Promoter or belongs to Promoter Group B. If Reporting is for immediate relative of DP i. Name of the immediate relative of DP ii. PAN of the immediate relative of DP C. Details of transaction(s) i. Name of the scrip ii. No of shares traded and value (₹) (Date- wise) D. In case value of trade(s) is more than ₹10 lacs in a calendar quarter i. Date of intimation of trade(s) by concerned DP/director/promoter/promoter group to Company under Regulation 7 of SEBI (PIT) Regulations, 2015 ii. Date of intimation of trade(s) by Company to stock exchanges under regulation 7 of SEBI (PIT) Regulations, 2015											
4	Details of violations observed under Code of Conduct											
5	Action taken by Listed company/ Intermediary/ Fiduciary											
6	Reasons recorded in writing for taking action stated above											
7	Details of the previous instances of violations, if any, since last financial year											
8	If any amount collected for Code of Conduct violation(s) i. Mode of transfer to SEBI - IPEF (Online/Demand Draft) ii. Details of transfer/payment In case of Online: In case of Demand Draft (DD): <table border="1" data-bbox="351 1697 1236 1848"> <thead> <tr> <th>Particulars</th><th>Details</th></tr> </thead> <tbody> <tr> <td>Bank Name and branch</td><td></td></tr> <tr> <td>DD Number</td><td></td></tr> <tr> <td>DD date</td><td></td></tr> <tr> <td>DD amount (in ₹)</td><td></td></tr> </tbody> </table>	Particulars	Details	Bank Name and branch		DD Number		DD date		DD amount (in ₹)		
Particulars	Details											
Bank Name and branch												
DD Number												
DD date												
DD amount (in ₹)												
9	Any other relevant information											

Annexure 2 - Form A1: Disclosure on becoming a Key Managerial Personnel, a Director, a Promoter, or a member of the promoter group

FORM A1

SEBI (Prohibition of Insider Trading) Regulations, 2015 [Regulation 7 (1) (b) read with Regulation 6(2) – Disclosure on becoming a Key Managerial

Personnel/Director/Promoter/Member of the promoter group]

Name of the company:

ISIN of the company:

Details of Securities held on appointment of Key Managerial Personnel (KMP) or Director or upon becoming a Promoter or member of the promoter group of a listed company and immediate relatives of such persons and by other such persons as mentioned in Regulation 6(2).

Name, PAN, CIN/DIN & Address with contact nos.	Category of Person (KMP / Director or Promoter or member of the promoter group/ Immediate relative to/others, etc.)	Date of appointment of KMP/ Director / OR Date of becoming Promoter/ member of the promoter group	Securities held at the time of appointment of KMP/Director or upon becoming Promoter or member of the promoter group		% of Shareholding
			Type of securities (For eg. – Shares, Warrants, Convertible Debentures, Rights entitlements, etc.)	No.	
1	2	3	4	5	6

Note: “Securities” shall have the meaning as defined under regulation 2(1)(i) of SEBI (Prohibition of Insider Trading) Regulations, 2015.

Details of Open Interest (OI) in derivatives on the securities of the company held on appointment of KMP or Director or upon becoming a Promoter or member of the promoter group of a listed company and immediate relatives of such persons and by other such persons as mentioned in Regulation 6(2).

Open Interest of the Future contracts held at the time of appointment of Director/KMP or upon becoming Promoter/member of the promoter group			Open Interest of the Option Contracts held at the time of appointment of Director/KMP or upon becoming Promoter/member of the promoter group		
Contract specifications	Number of units (contracts * lot size)	Notional value in Rupee terms	Contract specifications	Number of units (contracts * lot size)	Notional value in Rupee terms
7	8	9	10	11	12

Note: In case of Options, notional value shall be calculated based on premium plus strike price of options

Name & Signature:

Designation:

Annexure 3 - Form B: Continual disclosure
FORM B

SEBI (Prohibition of Insider Trading) Regulations, 2015 [Regulation 7 (2) read with Regulation 6(2) – Continual Disclosure]

Name of the company:

ISIN of the company:

Details of change in holding of Securities of Promoter, Member of the Promoter Group, Designated Person or Director of a listed company and immediate relatives of such persons and other such persons as mentioned in Regulation 6(2).

Name, PAN, CIN/ DIN, & address with contact nos.	Category of Person (Promoter/ member of the promoter group/ designated person/ Directors/ immediate relative to/ others etc.)	Securities held prior to acquisition/ disposal		Securities acquired/Disposed				Securities held post acquisition/ disposal		Date of allotment advice/ acquisition of shares/ disposal of shares, specify		Date of intimation to company	Mode of acquisition /disposal (on market/ public/ rights/ preferential offer/ off market/ Inter-se transfer, ESOPs, etc.)	Exchange on which the trade was executed
		Type of securities (For eg. – Shares Warrants, Convertible Debentures, Rights entitlements etc.)	No. and % of share holding	Type of securities (For eg. – Shares, Warrants, Convertible Debentures, Rights entitlement, etc.)	No.	Value	Transaction Type (Purchase/ sale Pledge / Revocation / Invocation Others- please specify)	Type of securities (For eg. – Shares, Warrants, Convertible Debentures, Rights entitlement, etc.)	No. and % of shareholding	From	To			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

2 Erstwhile title of the Form 'C' of the Circular SEBI/HO/ISD/CIR/P/2021/19 dated February 09, 2021 has been changed to Form 'B'.

Note: (i) "Securities" shall have the meaning as defined under regulation 2(1)(i) of SEBI (Prohibition of Insider Trading) Regulations, 2015.

(ii) Value of transaction excludes taxes/brokerage/any other charges

Details of trading in derivatives on the securities of the company by Promoter, member of the promoter group, designated person or Director of a listed company and immediate relatives of such persons and other such persons as mentioned in Regulation 6(2).

Trading in derivatives (Specify type of contract, Futures or Options etc.)						Exchange on which the trade was executed
Type of contract	Contract specifications	Buy		Sell		
		Notional Value	Number of units (contracts * lot size)	Notional Value	Number of units (contracts * lot size)	
16	17	18	19	20	21	22

Note: In case of Options, notional value shall be calculated based on Premium plus strike price of options

Name & Signature:

Designation:

Date:

Place: