



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SYSTM/2024/341

June 20, 2024

SURVEILLANCE OBLIGATION OF DEPOSITORY PARTICIPANT AND AMENDMENT IN QUARTERLY REPORTING FORMAT

DPs are advised to refer to

- Communiqué no. 309 dated July 15, 2021
- Communiqué no. 5 dated January 04, 2022
- Communiqué no. 88 dated February 10, 2023

regarding surveillance obligation of Depository Participant (DP), wherein DPs are required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients at their end as per the laid down surveillance policy. Further DP has obligation of reporting the status of alerts generated to CDSL.

Additional columns have been introduced in the quarterly reporting format to provide comprehensive overview on the alerts generated by DPs.

Name of Alert	Opening Balance of alerts at the beginning of the quarter (A)	No. of alerts generated during the quarter (B)	Total no. of alerts (C=A+B)	No. of alerts closed during the quarter (D)	Alerts pending at the end of the quarter (E = C - D)	Ageing analysis of the alerts pending at the end of the Quarter (since alert generation date) (Segregation of E column)					Reason for pendency#
						< 1 month	1-2 months	2-3 months	3-6 months	> 6 months	

reason for pendency is required to be provided for outstanding alerts in each bucket of age.

The above format will come in effect from **September 30, 2024**. DP can submit the report in new format for the quarter ended September 2024.

In addition to obligations mentioned in communiques mentioned above, DP are required to

- Prepare Standard Operating Procedure (SOP) for processing of surveillance alerts (which includes alerts generated at DP end as well as alerts generated by CDSL).
- DP has to ensure that SOP shall include alert generation parameters, establishing timelines for response, outlining escalation procedures, and any other essential processes related to alert handling.
- The SOP and alert parameters needs to be reviewed on a periodic basis by the compliance officer.



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- DP shall ensure that Maker-Checker mechanism is followed during processing and disposal of surveillance alerts.

In the recent past, CDSL has observed an anomalous modus operandi with respect to followings,

- a) Multiple demat accounts of different entities being opened with a common bank account.
- b) Accounts were opened by obtaining multiple PANs by single entity.

After advising the DP to freeze all such accounts, CDSL has also taken necessary actions against concerned DP, including levy of monetary penalty, temporary suspension from opening new demat accounts and issuance of Show Cause Notice etc.

In light of these findings, CDSL advises DPs to stay alert and vigilant against such activities.

Further following important points are re-iterated again for compliance at DP end.

- Disposal of alerts within 30 days from the date of alerts generated at Participants end and alerts provided by CDSL.
- Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of alerts generated by DP / provided by CDSL and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of DP Operating instructions and bye-laws of Depository.
- The surveillance policy of the Participants shall be reviewed once a year.

DPs are advised to note the same, ensure compliance and make necessary changes, in their back-office system if required.

Queries regarding this communiqué may be addressed to CDSL – Helpdesk through email on cdslalerts@cdslindia.com or call us on 08069144800.

For and on behalf of
Central Depository Services (India) Limited

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Umesh Kambli
Asst. Vice President – Surveillance