

Circular No.: NSDL/POLICY/2026/0047

March 30, 2026

**Subject: Surveillance Obligations for Depository Participants (DPs)**

Attention of Participants is invited to the following NSDL circulars wherein overall surveillance obligations of DPs were articulated for compliance.

1. NSDL/POLICY/2021/0072 Dated July 15, 2021
2. NSDL/POLICY/2024/0146 Dated October 03, 2024
3. NSDL/POLICY/2025/0031 dated March 11, 2025

In the above circulars, NSDL had emphasized the need for detailed SOPs and following the maker – checker mechanism during processing and disposal of surveillance alerts. The timelines for disposal of alerts were changed from 30 days to 45 days and penalties were introduced to discourage delayed disposal of alerts sent by NSDL.

This Circular is issued to reiterate the obligations cast on Depository Participants (as detailed in Part A, which remains unchanged) and additional requirements as set out in Part B. Collectively, these mechanisms shall constitute the overall surveillance obligations which should be appropriately reflected in the Surveillance Policy, SOPs and day-to-day operations of the Participants

**1. Obligation of Depository Participants to frame a Surveillance Policy:****Part A**

Depository Participants shall frame a surveillance policy based on nature of their depository business, type of clients, number of demat accounts, number of transactions etc. which shall, inter alia, cover the following:

- a. 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).
- b. Review and disposal of transactional alerts provided by NSDL (Transactional alerts provided by NSDL are based on certain thresholds. Depository Participants may have their own different thresholds or own parameters to generate additional alerts of their own in clause 'a' above so as to detect any abnormal activity).



- c. Disposal of alerts within 45 days from the date of alerts generated at Depository Participants end and alerts provided by NSDL.
- d. Reporting to NSDL and other authorities as applicable in case of any abnormal activity.
- e. Documentation of reasons for delay, if any, during disposal of alerts.
- f. Framework of appropriate actions that can be taken by the Depository Participant as per obligations under Prevention of Money Laundering Act (PMLA).
- g. Record maintenance for the period as stipulated under applicable statutes.
- h. The surveillance policy of the Depository Participants shall be reviewed once in a year.

## **Part B**

In addition to Part A above, the following should form part of the surveillance policy:

- a. Provision for a comprehensive SOP that draws from the surveillance policy, extant SEBI regulations, circulars issued by SEBI and NSDL from time to time, internal processes & systems used by the Depository Participants, etc.
- b. SOP approval mechanism.
- c. The surveillance policy must also be reviewed on a periodic basis under circumstances where changes are warranted on account of revision in regulations, circulars issued by NSDL, etc.
- d. A provision for segregation of duties related to approvals, reporting purpose, etc. i.e. the need for maker / checker mechanisms.
- e. Emphasis on adequacy of resources in the form of suitably qualified & trained personnel, systems and technology.
- f. Review mechanisms for alerts and their parameters.
- g. Introduction of new alerts based on day-to-day experiences.
- h. Staff training on a periodic basis.

The creation of surveillance policy and periodic updates must be reflected in the revision history. The key changes should be approved by the Board of Directors. In case the Depository Participant is incorporated outside India, then the surveillance policy of the DP may be approved by a committee constituted to oversee its Indian operations.



**2. Obligation of Depository Participants to generate Surveillance Alerts:**
**Part A**

Depository Participants are required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients as per the laid down surveillance policy. The indicative themes on which Depository Participants may formulate their own alerts are as below. The Depository Participants also need to analyze patterns and trends with respect to different themes. Depository Participants shall put in place system to generate these alerts with effect from October 01, 2021, and obtain the approval of its Board in its next meeting.

Sr. No.	Indicative themes:
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 Depository Participant.
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 not commensurate with the income/net worth of the client.
6	Pledge transactions not commensurate with the income/net worth of the client.
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

**Part B**

Sr. No.	Additional Indicative themes:
1	Off-market transfer of securities from one demat account to many demat accounts without any economic rationale.
2	Off-market receipt of securities from multiple demat accounts to one demat account without any economic rationale.
3	Multiple demat accounts opened with noticeably short / incomplete address.
4	Different demat accounts of same persons with different PANs.
5	Demat accounts of a person used by another person for deceptive purposes.
6	Multiple off-market transfers (value and volume based) with potentially incorrect off-market reason code declared.
7	Shifting of ownership of securities to avoid attachment of securities by government authorities or under IBC / NCLT.
8	Fraudulent / unauthorised transfers in dormant demat accounts.

Depository Participants should note that the above-mentioned alerts may be generated based on some threshold / parameters and are illustrative and not exhaustive. Depository Participants need to review these alerts based on facts of each case and verification of relevant documents including income / net worth as provided by the Client. Further, Depository Participants are required to exercise their independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions.

**3. Obligation of Depository Participants regarding Client Due Diligence:**
**Part A**

The following activities required to be carried out by Depository Participant for client due diligence are being reiterated:

- a. Depository Participants are required to carry out the Due Diligence of their client(s) on an on-going basis.



b. Depository Participants shall ensure that 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 Depository System.

**Part B**

In order to sharpen the surveillance measures, it is emphasised that client due diligence and KYC are up to date which can minimize false positives, provide meaningful alerts and help identify related parties who are possibly (mis)using same details such as mobile number, email id, etc. Also, in terms of other information, the Depository Participants may attempt to obtain latest information about income ranges, bank details, address, nomination, etc.

**4. Obligation of Depository Participants to w.r.t Processing of Alerts:****Part A**

- a. Depository Participants are required to maintain register (electronic/physical) for recording all alerts generated.
- b. While reviewing alerts, Depository Participant shall obtain transaction rationale, verify demat account statement and also obtain supporting documents as required from the client.
- c. After verifying the documentary evidence, Depository Participants shall record its observations for such identified transactions of its Client.
- d. With respect to the transactional alerts to be provided by Depository, Depository Participants shall ensure that all alerts are reviewed and status thereof (Verified & Closed/Verified & Reported to Depository) including action taken is updated within 45 days, on the NSDL e-PASS portal.
- e. With respect to the alerts generated at the Depository Participants end, DPs shall report instances with adverse observation, along with details of action taken, to NSDL within 7 days of the date of identification of adverse observation, on the NSDL e-PASS portal

**Part B**

- f. Depository Participants are advised to refer alerts wise guidelines provided in the NSDL e-PASS portal while reviewing the alerts.



- g. Depository Participants are required to adhere to the guidelines in letter and spirit in terms of resolving the alerts in a timely manner that is complete and does not result in rejection of the responses to the alert.
- h. Any supporting document that is necessary to corroborate the responses by way of evidence i.e., copy of the account opening form, correspondence with the client, internal investigation reports etc. may also be provided.

## **5. Obligation of Compliance officer and Internal Auditor/Concurrent Auditor of the Depository Participants:**

### **Part A**

- a. The surveillance activities of Depository Participant shall be conducted under overall supervision of its Compliance Officer.
- b. A quarterly MIS shall be put up to the Board 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 Board shall be appraised of any exception noticed during the disposal of alerts.
- c. Internal auditor of Depository Participant shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditors shall record the observations with respect to the same in their report.
- d. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Depository Participant.

### **Part B**

- a. The compliance officer to ensure timely generation and disposal of internal surveillance alerts.
- b. The compliance officer of the Depository Participant shall ensure the quality of responses for closure of alerts using sampling method, in terms of completeness.
- c. The compliance officer and internal auditor may provide their suggestions to improve the overall quality and effectiveness of surveillance operations, where necessary.



**6. Obligation of Quarterly reporting of status of the alerts generated by Depository Participants:**
**Part A**

Depository Participants are also required to provide duly approved status of the alerts on a quarterly basis, in the following format to NSDL within 15 days from end of the quarter.

**a. Status of Alerts generated by the Depository Participant:**

Name of Alert [A]	No. of alerts pending at beginning of quarter [B]	No. of new alerts generated during the quarter [C]	No. of alerts Verified & closed in the quarter [D]	No. of alerts reported to Depository [E]	No. of alerts pending for process at the end of quarter (If any) [F] = [B+C]-[D+E]	Ageing analysis of the alerts pending at the end of the Quarter (since alert generation date) (Segregation of F column)					Reason for pendency
						< 1 month	1-2 months	2-3 months	3-6 months	> 6 months	

**b. Details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter:**

Sr. No.	Brief action taken during the quarter

c. Depository Participants who do not have anything to report need to submit a 'NIL Report' within 15 days from end of the quarter.

d. The above details shall be uploaded by the Depository Participants on NSDL e-PASS Portal.

**Note: The format for reporting is as per NSDL circular NSDL/POLICY/2024/0146 Date: October 03, 2024.**



**7. Penalty in case of late / non-submission of Quarterly Reporting of status:****Part A**

In case of late / non-submission of quarterly report of the alerts generated by Depository Participant as mentioned at Point no.2 above, Depository Participant shall be liable for penalty.

**Part B**

Further to part A above, NSDL has issued the following two circulars covering the new provisions for penalties and its applicability.

- a. NSDL Circular no. NSDL/POLICY/2022/167 dated November 29, 2022.
- b. NSDL Circular no. NSDL/POLICY/2025/0031 dated March 11, 2025.

**8. Disciplinary action for non-fulfilment of Surveillance obligation by Depository Participant:****Part A**

- a. Depository Participant may note that during inspection, if it is observed that the Depository Participant has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the concerned Depository Participant.
- b. Any non-compliance with respect to surveillance obligations which may *inter alia* include delay in processing of alerts generated by Depository Participant / provided by NSDL and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Business Rules and Byelaws of Depositories.
- c. It may further be noted that aforesaid measure does not preclude SEBI / Depository to take any further action(s), if the facts and circumstances so demand.

Depository Participants are requested to take note of the above and ensure compliance.



**For and on behalf of  
National Securities Depository Limited**

**Prathmesh Mungle  
Assistant Vice President**

**FORTHCOMING COMPLIANCE**

<b>Particulars</b>	<b>Deadline</b>	<b>Manner of sending</b>	<b>Reference</b>
Investor Grievance Report (Monthly)	By 10th of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 27 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants
Compliance report w.r.t Same Mobile number and/ or email address captured for multiple accounts. (Monthly)	Before 27th of following month	Through Email.	Para 23 of 'Miscellaneous' chapter of NSDL Master Circular for Participants.

