CDSL/DP/SURV/2026/521 **July 31, 2026**

COMPREHENSIVE SURVEILLANCE FRAMEWORK FOR DEPOSITORY PARTICIPANTS (DPs)

CDSL has issued various communiques from time to time relating to surveillance framework, monitoring, and reporting obligations of Depository Participants (DPs). This communique consolidates all such communiques issued by the Surveillance Department.

Further, objective of this communique is to reiterate the surveillance obligations applicable to Depository Participants and to specify additional requirements. These requirements shall constitute the overall surveillance framework and are required to be duly incorporated in the Surveillance Policy, Standard Operating Procedures (SOPs), and day-to-day operations of the Depository Participants.

For ease of reference and clarity, this communique is divided into the following parts:

Part I – Surveillance framework for DPs

Part II – list of surveillance related communiques issued till July 31, 2026.

Part I – Surveillance framework

A. Obligation of Depository Participants to frame Surveillance Policy

Depository Participants shall formulate a Surveillance Policy based on the nature and scale of their operations, type of clients, number of demat accounts, number of transactions etc. The policy shall, inter alia, provide for:

1. Generation of surveillance alerts which may be guided by indicative themes given under point B below.
2. Review and disposal of transactional alerts provided by CDSL (alerts provided by CDSL are based on certain thresholds. Depository Participants may have their own thresholds / parameters, to generate additional alerts of their own as mentioned under point 1 above, so as to detect any abnormal activity).
3. Closure of alerts within 45 days from the date of alert generated by Depository participants & alerts provided by CDSL.
4. Reporting of suspicious/abnormal activities to CDSL and relevant authorities, as applicable.
5. Maintenance of proper documentation, including reasons for delay, if any, in disposal of alerts.
6. Action framework in line with obligations under PMLA.
7. Maintenance of records in accordance with applicable regulatory requirements.
8. The surveillance policy of the Depository Participants shall be reviewed once in a year.

In addition to above, the following should form part of the surveillance policy.

Additional Requirement:

9. Provision for a comprehensive SOP that draws from the surveillance policy, extant SEBI regulations, circulars issued by SEBI and CDSL from time to time, internal processes & systems used by the Depository Participants, etc
10. SOP approval mechanism.
11. 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 CDSL, etc.
12. A provision for segregation of duties related to approvals, reporting purpose, etc. i.e. the need for maker / checker mechanisms.
13. Emphasis on adequacy of resources in the form of suitably qualified & trained personnel, systems and technology.
14. Review mechanisms for alerts and their parameters.
15. Introduction of new alerts based on day-to-day experiences.

16. Staff training on a periodic basis.

B. Obligation of DPs to generate Surveillance alerts

Depository Participants (DPs) shall generate appropriate surveillance alerts based on their risk profiling, to effectively monitor client transactions in accordance with their approved surveillance policy. DPs may formulate alerts based on indicative themes provided below. Further, DPs shall analyse patterns and trends across such themes on an ongoing basis.

Sr. No.	Indicative Theme
1	Alert for multiple demat accounts opened with same demographic details (PAN, mobile, email, bank account, address)
2	Alert for communication (emails/letters) sent on registered Email ID/address of clients getting bounced
3	Frequent changes in demat account details (address, email, mobile, Authorized Signatory, POA holder)
4	Frequent off-market transfers by a client in a specified period
5	Off-market transfers not commensurate with income/Net worth of the client
6	Pledge transactions not commensurate with income/Net worth of the client
7	High-value off-market transfers immediately after modification of demat account details
8	Review of reasons for off-market transfers vis-à-vis client profile (e.g., gifts/donations to unrelated parties, off-market sales)
9	Newly opened accounts showing sudden increase in transaction activity, then holdings become zero or account becomes dormant
10	Any other alerts/mechanisms to prevent and detect market manipulation activities
Additional Indicative theme	
11	Off-market transfer of securities from one demat account to many demat accounts without any economic rationale.
12	Off-market receipt of securities from multiple demat accounts to one demat account without any economic rationale.
13	Multiple demat accounts opened with noticeably short / incomplete address.
14	Different demat accounts of same persons with different PANs.
15	Demat accounts of a person used by another person for deceptive purposed.

16	Multiple off-market transfers (value and volume based) with potentially incorrect off market reason code declared.
17	Shifting of ownership of securities to avoid attachment of securities by government authorities or under IBC / NCLT.
18	Fraudulent / unauthorised transfers in dormant demat accounts.

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

C. Obligation of Depository Participants regarding Client due diligence

The following activities required to be carried out by DPs for client due diligence:

1. DPs are required to carry out the Due Diligence of their client(s) on an on-going basis.
2. DPs 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 the Depository System.

Additional Requirement:

3. 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.

D. Obligation of Depository Participants to w.r.t Processing of Alerts

1. DPs are required to maintain register (electronic/physical) for recording of all alerts generated.
2. While reviewing alerts, DP shall obtain transaction rationale, verify demat statement and also obtain supporting documents as required from the client.
3. After verifying the documentary evidence, DPs will record its observations for such identified transactions of its client.

4. With respect to the alerts provided by CDSL, DP shall ensure that all alerts are reviewed, and status thereof, including action taken, is updated within 45 days, on the CDAS Surveillance system.
5. With respect to the alerts generated at the DP end, DP shall report instances with adverse observation, along with details of action taken, to CDSL within 7 days of the date of identification of adverse observation, on the CDSL Surveillance System.

Additional Requirement:

6. The DP is advised to refer the guidance instructions provided by CDSL along with the alert and, over and above such guidance, exercise appropriate independent judgment while conducting the analysis.
7. DP shall adhere to guidelines in letter and spirit by resolving alerts in a timely, complete, and accurate manner, supported by appropriate documentary evidence, to avoid rejection of responses.
8. 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, gift deed etc. may also be provided.
9. The DP shall ensure timely responses to any subsequent queries or requests for supporting documents raised by CDSL to avoid any action, including penalties.

E. Guidance on examination of Surveillance Alerts

DPs may consider the following standard checklist before submitting their responses to surveillance alerts shared by CDSL. DPs may also undertake additional checks and verifications, as deemed necessary, in accordance with their internal policies and processes to ensure effective disposition of alerts within the prescribed timelines.

Sr. No.	**Checklist Item for processing of Surveillance alerts**
1	Explanation obtained from BO for off market transfers / activities highlighted in alerts
2	Relationship between Source and target BO verified
3	Purpose/rationale of transactions examined
4	Supporting documents (wherever necessary) obtained from BO and verified

5	BO's response evaluated for consistency and adequacy
6	DP's analysis and findings are recorded
7	Suspicious activities, if any, assessed
8	Relevant supporting documents attached with response to CDSL
9	Final response submitted to CDSL within prescribed timelines

F. Obligation of Compliance officer and Internal Auditor/Concurrent Auditor of the DP

1. The surveillance activities of DP shall be conducted under overall supervision of its Compliance Officer.
2. A quarterly MIS shall be placed before 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 apprised of any exception noticed during the disposal of alerts.
3. Internal auditor of DP 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.
4. Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the Depository Participant.

Additional Requirement:

5. The Compliance Officer shall ensure timely generation and disposal of internal surveillance alerts and periodically assess the quality of alert closure responses through sampling, with a focus on completeness and adequacy.
6. The Compliance Officer shall ensure that appropriate surveillance alerts are generated at the DP's end and periodic review of alert parameters is carried out, with necessary refinements to improve the quality of surveillance monitoring.
7. The compliance officer and internal auditor may provide their suggestions to improve the overall quality and effectiveness of surveillance operations, where necessary.
8. The Compliance Officers shall ensure and validate that the SOPs maintained by the DP are effectively implemented and adhered to.
9. In case of "Nil" quarterly reporting of surveillance alerts generated by the DP for two consecutive quarters, the Compliance Officer of the DP shall undertake a review of the

surveillance framework, including generation of alerts and the same shall be documented.

G. Obligation of Quarterly reporting of status of the alerts generated by Depository Participants:

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

Format for Reporting the Status of Alerts Generated by the Depository Participant:

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.

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

1. Depository Participants who do not have anything to report need to submit a 'NIL Report' within 15 days from end of the quarter.
2. The above details shall be uploaded by the Depository Participants on CDSL Surveillance System.

H. Penalty framework

The penalties imposed for non-compliance with surveillance obligations are prescribed as under:

1. Non-submission of quarterly alert status

In case the Depository Participant fails to submit the status of alerts to the Depository within 15 days from the end of the respective quarter, the following penalties shall be applicable:

- ₹1,000 per instance of delay, along with an additional ₹500 for every fortnight of continued delay.
- In case of delays observed in consecutive quarters, ₹2,000 per instance, along with an additional ₹1,000 per fortnight of delay, shall be levied.

- Where such non-compliance continues for three consecutive quarters, the matter shall be placed before the Member Committee for appropriate action.

2. Delay in response to surveillance alerts

- In case the Depository Participant fails to submit responses to surveillance alerts shared by the Depository within 45 days, a penalty of ₹500 per alert shall be levied, along with an additional ₹1,500 for every fortnight of delay.

- Where the cumulative penalty under this head equals or exceeds ₹15,000 during a consecutive six-month period, the matter shall be placed before the Member Committee for appropriate action.

- Further, it may be noted that pursuant to representations received from Depository Participants, the disposal timeline for half-yearly alerts relating to "Multiple demat accounts with the same attribute (PAN / Mobile / Email/ Address / Bank)" has been revised from 45 days to 60 days from the date of generation and dissemination of such alerts by CDSL.

Depository Participants are advised to regularly access the dashboard facility available on the CDAS Surveillance System to monitor the status of surveillance alerts shared by CDSL. The dashboard enables DPs to track pending and disposed alerts and take timely action to ensure the effective disposal of surveillance alerts within the stipulated timelines.

Depository Participants are advised to refer to the latest Operating Instructions issued by CDSL from time to time for any revisions to the penalty provisions.

I. Reporting of adverse observation by Depository Participants (DPs)

CDSL has implemented a dedicated facility on its CDAS Surveillance System to enable Depository Participants (DPs) to report alerts and abnormal activities observed in demat accounts. The objective of this facility is to timely escalation of potential market manipulation, abuse, or any other abnormal transactions to the Depository, after the DP has carried out appropriate due diligence, analysis, and review of the concerned account and related transactions.

Based on the experience gained and with a view to ensuring effective, consistent, and meaningful reporting of such alerts, DPs are hereby advised to adhere to the following guidelines while reporting alerts on the portal:

1. DPs shall report to CDSL, within 7 days of identification, any transaction or activity detected at their level that prima facie appears abnormal.
2. DPs shall analyse transaction data and identify any adverse observations within a period not exceeding two months from the date of the transaction. Such identified cases shall thereafter be reported to CDSL.
3. Prior to reporting any alert, the DP may contact the concerned BO, wherever considered appropriate, to ascertain the rationale for the transactions/ activities observed. DPs shall undertake a comprehensive review of the concerned demat account, including verification of KYC details, examination of transaction patterns, and assessment of any other relevant information available on record.
4. While submitting alerts, DPs shall provide complete details of the analysis undertaken, including observations, findings, and a clear rationale for treating the transaction/activity as adverse. The report shall also specify the actions initiated or completed pursuant to such review.
5. DPs are advised not to re-report alerts that have already been generated by the Depository's surveillance system and shared with them for response or clarification.
6. DPs shall ensure that only those abnormal activities which fall within the scope of depository operations are reported through the portal.
7. DPs shall ensure that all details submitted while reporting alerts are accurate, complete, and duly validated prior to submission.

J. Disciplinary action for non-fulfilment of Surveillance obligation by Depository Participant:

1. DPs are advised to note that that during CDSL inspection, if it is observed that the DP has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the DP.
2. 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 Byelaws of the Depository.
3. 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

Part II – List of important circulars issued by Surveillance Department till July 2026.

Sr.	Date	Communique No	Subject	Key coverage
1	15-Jul-21	DP2021-309	Surveillance obligation of depository participant	Introduced a formal surveillance framework requiring all depository participants.
2	23-Aug-21	DP2021-369	Surveillance obligation of depository participant	Referring to communique DP2021-309.
3	04-Jan-22	DP2022-05	Facility for -submission of reports/ reporting alerts/ downloading alerts w.r.t surveillance obligation of depository participant	Introduction of CDSL Surveillance module in CDAS.
4	30-Nov-22	DP2022-686	Amendments to CDSL's DP operating instructions	Penalty structure for non-submission of surveillance alert status report to CDSL within 15 days from the end of each quarter
5	10-Feb-23	DP2023-88	Surveillance obligation of depository participant	Reiteration of obligation
6	27-Oct-23	DP2023-628	Facility for bulk upload for responding to surveillance alert	Introduced a bulk upload mechanism for Surveillance alerts
7	20-Jun-24	DP2024-341	Surveillance obligation of depository participant and amendment in quarterly reporting report	Revision in quarterly reporting format & reiteration Surveillance Obligations along with additional requirement
8	20-Sep-24	DP2024- 552	Surveillance obligation of depository participant & step to submit quarterly report in new format	Introducing a new quarterly reporting format, requiring DPs to provide more granular details of DP-generated alerts and their disposal status through the CDSL system.
9	20-Feb-25	DP2025-126	Amendments to DP operating instructions	Introduced monetary penalties for delayed or non-submission of

				responses to CDSL surveillance alerts
10	12-May-25	DP2025-316	Surveillance obligation of depository participant	Reiteration of Surveillance obligation w.r.t reporting of adverse surveillance observations, enhanced portal/dashboard features for monitoring.
11	06-Apr-26	DP2026-236	Surveillance obligation of depository participant penalty provision	The disposal timeline for half-yearly surveillance alerts relating to “multiple demat accounts with the same attributes (PAN / Mobile / Email / Address / Bank)”

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

Queries regarding this communiqué may be addressed to: CDSL – Surveillance department on Emailid - cdslalerts@cdslindia.com and telephone nos. 022-6234-3125 / 3098 / 3094 / 3099 / 3055 / 3056.

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

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