



PRABHAT FINANCIAL SERVICES LIMITED



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CIN No. U67190UP1995PLC017537

Member : National Stock Exchange of India Limited, Bombay Stock Exchange Limited, SEBI REGN. NO. -JNZ000169433
D P : Central Depository Services (India) Limited. SEBI REGN NO. IN-DP-CDSL-216-2003

POLICY FOR SURVEILLANCE OBLIGATION OF DEPOSITORY PARTICIPANT AND STOCK BROKER

Applicability:

This policy is applicable from August 01, 2021 for Prabhat Financial Services Ltd's Stock Broking operations as member of National Stock Exchange of India Ltd, BSE Ltd and MCX Ltd and as Depository Participant (DP) of CDSL . The policy was approved in the meeting of Board of Directors of Prabhat Financial Services Ltd (hereinafter referred to as PFSL) held on August 27, 2021 .

The policy has been framed in accordance with the provisions of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2021/22 dated 01.03.2021, NSE Circular No. NSE/SURV/48818 dated 01.07.2021 and CDSL communiqué No. CDSL/OPS/DP/SYSTEM/2021/309 dated 15.07.2021.

1. Surveillance Policy for Stock Broking operations :

The Stock Exchange/s are providing alerts based on predefined criteria to the all the stock brokers including PFSL through their portals. As per applicable Circulars, PFSL is reviewing these alerts and taking appropriate actions after carrying out due diligence viz. either disposing off alerts with appropriate reasons / findings recorded or filing Suspicious Transaction Report (STR) with FIU-India in accordance with provisions of PMLA (Maintenance of records) Rules, 2005.

In addition to the same, PFSL has framed its Surveillance Policy for Stock Broking operations to generate alerts as per guidance provided in NSE Circular No. NSE/SURV/48818 dated 01.07.2021 based on following criteria:

Trading activity in a single day by one client or group of clients who have contributed more than 25% in a single scrip or a single derivative contract.

A client or a group of clients who are either new client/s or who have reactivated their trading account after significant time gap and who have contributed more than 50% of the total trading volume of a single scrip or derivative contract on a single day.

Client or a group of clients dealing frequently in small quantities/ minimum market lot in a scrip / contract.

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Trading activity of a client found to be disproportionate considering detail of reported income slab or net worth.

A client who has submitted modification request frequently for changes in demographic details of address, email id, mobile number, bank details etc..

A client or a group of clients who have been found to have direct or indirect connection with a listed company and who have executed any transactions prior to any dissemination of any price sensitive information by such listed company.

A client or group of clients having more than 20% volume of any scrip listed in for 'information list' or 'current watch list'.

A client or group of clients which persistently earn high amounts of profit or amount of loss through their trading activities or clients who appear to have executed trades with the objective of transfer of profits or losses.

A client who is holding more than 5% of paid up capital of a listed company and that client has pledged majority of such holding for meeting margin obligation arising on account of significant trading volume in the same scrip.

In case of concerns of 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 authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address

A client having demat account with PFSL and who has holding in a scrip of more than 5% of paid up capital of a listed company and who has acquired the same shares through off-market transfer/s.

A client who has received shares of a listed company through multiple off-market transfers and has pledged such shares.

Identification of IP addresses of clients to identify multiple client codes trading from same IP address.

Clients/Groups who are connected with each other as per key KYC parameters as updated in Exchange UCC database and back office database.

SE Kamesh Kumar



V. C. Meena

The Director/Compliance Officer/Designated Official will review the alerts provided by Stock Exchanges and alerts generated by back office and trading servers for stock broking operations on an ongoing basis and shall ensure to process the same as early as possible. In any case, these alerts will be processed within 30 days from the date of generation of the alerts as mentioned above.

In case of any delay in disposing off any alerts, reasons for the same shall be recorded.

The Designated Official shall identify suspicious/ manipulative activities undertaken by any client through monitoring of order(s) and trade(s) in respect of stock broking operations.

The Director/Compliance Officer in case of reporting of any transaction as Suspicious Transaction to FIU-India, shall evaluate whether any further action is required including suspension/closure of trading account of the suspect client(s), reporting to Stock Exchanges/SEBI and/or other Regulatory Authorities.

PFSL will maintain records for such period as is prescribed under PMLA (Maintenance of Records) Rules, 2005, Securities Contracts (Regulation) Rules, 1957 and any other directions as may be issued by SEBI/ Stock Exchanges from time to time.

2. Surveillance Policy for operations as Depository Participant:

CDSL is providing transactional alerts, on biweekly basis based on threshold parameters defined by CDSL, to all the Depository Participants including PFSL through a download utility provided by CDSL. As per applicable Communiqué's, PFSL has been reviewing these alerts on regular basis and has been taking appropriate actions after carrying out due diligence viz. either disposing off alerts with appropriate reasons/ findings recorded or filing Suspicious Transaction Report (STR) with FIU-India in accordance with provisions of PMLA (Maintenance of records) Rules, 2005.

Based on following criteria and in addition to the above, PFSL has framed its Surveillance Policy for its DP operations to generate alerts as per guidance provided in CDSL communiqué No. CDSL/OPS/DP/SYSTM/2021/309 dated 15.07.2021.

Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details/ address etc. While reviewing B. O. account details, the details of existing B. Os. shall also be considered.

SP: Prakash Kishore

V. K. Nigam

Emails/ letters sent to clients on their registered email ID/address are getting bounced/returned undelivered.

Frequent requests received from a B. O. or a group of B. Os. to change/modify detail of address/email/mobile number/mode of operation/POA holder/Authorized signatory etc.

Frequent off-market transfer of securities more than twice in a month without genuine reasons.

Off-market transactions not commensurate with the income/net worth of the BO.

Pledge transactions not commensurate with the income/net worth of the BO.

Off-market transfers (High value) immediately after modification of either email ID/mobile number/ address without genuine reason.

Review of reasons for off-market transfer provided by the BO which appears non-genuine based on either profile of the BO or on account of reason codes, including frequent off-market transfers with reason code gift/donation to unrelated parties and/or with reason code off-market sales.

Sudden increase in transaction activity in a newly opened B. O. account in a short span of time or securities balance suddenly reduces to zero in an active B. O. account or a B. O. account with regular transactional activity suddenly becomes dormant.

The DP shall review the alerts provided by CDSL on fortnightly basis and shall ensure to process the same as early as possible. In any case, these alerts will be processed within 30 days from the date of generation of the alert by CDSL.

In case of any delay in disposing off any alerts, reasons for the same shall be recorded.

The DP shall identify suspicious / manipulative activities undertaken by any B. O. account holder through monitoring of transaction(s).

In case of reporting of any transaction as Suspicious Transaction to FIU-India, the DP shall evaluate whether any further action is required including closure of B. O. account initiated by DP and reporting to CDSL/SEBI and/or any other Regulatory Authorities.

SR Prakash Kishore

V. C. N. N. N.

The DP shall maintain records for such period as is prescribed under PMLA (Maintenance of Records) Rules, 2005, and Securities Contracts (Regulation) Rules, 1957, SEBI (Depository and Participants) Regulations, 1996, DP Operating Instructions and any other directions as may be issued by SEBI/ Stock Exchanges from time to time.

3. Process of disposal of alerts and action:

The designated officials who are tasked to review the alerts on daily basis shall review the same.

If the designated official finds after review and due diligence that the alert is required to be closed, the official shall close the same with appropriate remarks.

If the designated official after due diligence and making such inquiry as such official finds necessary comes to a conclusion that the alert warrants an action, the official will forward the same with his/her views to the Director / Compliance Officer for his/her approval.

The Director / Compliance Officer, after review of the alerts along with the submitted comments of the designated official, decides to close the alert, he/she shall close it with appropriate remarks. If the Compliance Officer finds that action in respect of such alert is warranted, he/she shall take such actions including filing STR with FIU-India, informing to Stock Exchanges and CDSL and/or discontinue the relationship with the client.

The report of such instances along with adverse observations and details of actions taken shall be submitted to the Stock Exchanges/ CDSL within 7 day from date of identification of such instances.

The records of alerts generated, disposed of as closed and details of action taken wherever applicable shall be maintained with such security measures as would make such records temper proof and the access is available only to designated officials under the supervision of the Director / Compliance Officer.

4. Obligations of Compliance Officer/ Designated Director and Internal Auditor of the Stock Broking Business and Depository Participant operations:

The surveillance activities of the stock broking operations and that of DP operations shall be conducted under overall supervision of the Compliance Officer of PFSL. The policy implemented by PFSL in accordance with the provisions of Prevention of Money Laundering Act, 2002 and rules made there

Sh. Babbar Kabra

V. C. Mehra

under as Reporting Entity.

A quarterly MIS shall be put up by the Compliance Officer to the board and the Designated Director giving number of alerts generated during the quarter, number of alerts closed, number of alerts on which action taken with details of action taken and number of alerts pending at the end of the quarter along with reasons for pendency and action plan for closure of pending. The Board as well as the Designated Director shall be appraised of any exception noticed during the disposal of the alerts.

The Designated Director shall be responsible for all surveillance activities carried out by the Trading Member and Depository Participant.

PFSL shall submit its surveillance policy to the Internal Auditor for Stock Broking operations and Internal Auditor of DP operations for review and shall satisfy the queries/questions, if any, raised by the Internal Auditor with respect to the implementation of the surveillance policy, its effectiveness and the alerts generated.

5. Obligation of Quarterly reporting of status of the alerts generated for Stock Broking Operations and Depository Participant Operations:

A quarterly statement providing duly approved status of alerts in respect of stock broking operations on quarterly basis shall be submitted to BSE and NSE in the following format within 15 days after the end of the quarter:

A. Status of Alerts generated by the Trading Member:

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & Closed in the quarter	No. of alerts referred to Exchange (*)	No. of alerts pending/ under process at the end of quarter

B. Details of alerts referred to the Exchange

Sr. No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

Shri. Parag Kulkarni

V. C. N. N. N.

C. Details of any major surveillance action taken (other than alerts referred to Exchanges) if any during the quarter

Sr. No.	Brief action taken during the quarter

In case PFSL does not have anything to report, a "NIL Report" shall be filed within 15 days from the end of the quarter.

A quarterly statement providing duly approved status of alerts in respect of DP operations on quarterly basis shall be submitted to CDSL in the following format within 15 days after the end of the quarter:

A. Status of Alerts generated by the Depository Participant:

Name of Alert	No. of alerts under process at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & Closed in the quarter	No. of alerts referred to Exchange (*)	No. of alerts pending/ under process at the end of quarter

B. Details of any major surveillance action taken (other than alerts reported to CDSL) if any during the quarter

Sr. No.	Brief action taken during the quarter

In case PFSL DP operation does not have anything to report, a "NIL Report" shall be filed within 15 days from the end of the quarter.

6. Schedule of the implementation of the policy:

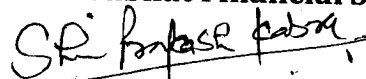
The policy shall be implemented by stock broking operations with effect from August 01, 2021. The first reporting by Stock Broking operations shall be submitted within 15 days of quarter ending on September 30, 2021

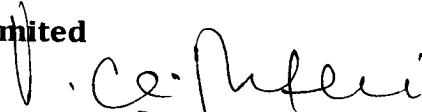
The policy shall be implemented by DP operations with effect from October 01, 2021. The first report in respect of DP operations shall be submitted within 15 days of quarter ending on December 31, 2021.

7. Review of Policy:

The Surveillance Policy shall be reviewed on periodic basis and at least once in a year by the Compliance Officer to ensure that the same is updated in line with market trends, SEBI/Stock Exchange/s regulations and prevalent practices.

For Prabhat Financial Services Limited


(Shri Prakash Kabra)
 Designated Director


(Vinod Kumar Rathi)
 Director and Compliance Officer