



# Harendra D. Mehta Share & Stock Broker Pvt. Ltd.

MEMBER > NSE Equity Segment > BSE Equity Segment

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## SURVEILLANCE POLICY

### Policy for Stock-Broker and Depository Participant:

BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Central Depository Services Limited (CDSL) vide its circular dated July 1, 2021 BSE Notice No 20210701-30, NSE Circular Ref. No.: 452/2021 and CDSL Circular dated July 15, 2021, Ref. No.: CDSL/OPS/DP/SYSTEM/2021/309 has directed the Trading Member / Depository Participant to frame a surveillance policy for effective monitoring the alerts based on trading / demat activity on the Exchanges / Depository as well as own alerts generated by the trading member / DP at their end based on their surveillance policy and suitable actions. Trading member / DP are directed to have proper mechanisms and to ensure that proper checks and balances are in control.

### **SCOPE:**

The company shall implement the following policy: -

- A. Transactional Alerts to be provided by the exchange:** In order to facilitate effective surveillance mechanisms, the Company would download the below mentioned alerts based on the trading activities on the exchanges.

Sr.	Transactional Alerts	Segment
1	Significant increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash

8	Pump and Dump (Pump-and-dump" involve the touting of a company"s stock (typically small, so-called "microcap" companies) through false and misleading statements to the marketplace.)	Cash
9	Wash Sales ( A wash sale is trading activity in which shares of a security are sold at a loss and a substantially identical security is purchased)	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers).	Cash
12	Order book spoofing i.e. large orders away from market	Cash

### Due Diligence:

The Company will carry out the Due Diligence of its client(s) on an on-going basis. Further, the company shall ensure that key KYC parameters are updated on a periodically basis and latest information of the client is updated in Unique Client Code (UCC) database of the Exchange / Depository. Based on this information the Company shall establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

### Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, the company will carry out the following procedure:

#### 1. The Company shall review the alerts based upon:

- Type of the alerts provided by the exchange.
- Financial details of the client
- Past Trading pattern of the clients/ client group
- Bank /Demat transaction details
- Other connected clients in UCC (common email/mobile number/address, other linkages, etc)
- Other publicly available information.

2. After analyzing the documentary evidences, including the bank / demat statement, the Company will record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation. The Company may seek extension of the time period from the Exchange, wherever required.



### **Monitoring and reporting:**

For effective monitoring, the Company;

1. Within 30 days of alert generation shall dispose off the alert, and any delay in disposition, reason for the same shall be documented.
2. In case of any Suspicious or any Manipulative activity is identified, the same will be mentioned in the Register to be maintained for the purpose and will be reported to the Stock Exchanges within 45 days of the alert generation.
  - 2.1. The Company shall prepare quarterly MIS and shall put to the Board of Directors on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action shall be taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts. The surveillance process shall be conducted under overall supervision of its Compliance and Principal Officer. Compliance and Principal Officer would be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.
  - 2.2 Internal auditor of the Company 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.

### **Policy Reviewed and Authorized by**

The policy will be reviewed and amended whenever the new circular issued by regulators or any direction given by them or as and when considered necessary by the Board or if there is no amendments or circular issued by regulator then once in every year reviewed by the Board.