

Manu Stock Broking Pvt. Ltd.

Member : NSE, BSE, MCX-SX, DP : CDSL

SEBI Regn. No. NSE : INB-231269938 & INF-231269938

BSE : INB-011269934 & INF-011269934

MCX-SX : INF-261269935

DP ID : 12068000 • SEBI Regn. No. : IN-DP-CDSL-586-2010

21, Hemant Basu Sarani, 2nd Floor, Suite No. 201-202, Kolkata-700 001

Ph. : 2210 2105/2106, 4019 4100-24 • Fax : 4019 4124

E-mail : mail@manustock.in • Website : www.manustock.in



MANU STOCK BROKING PRIVATE LIMITED

SURVEILLANCE POLICY

INTRODUCTION:

BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and MCX Stock Exchange Ltd. (MCX-SX) vide its circular dated 7th March, 2013 has directed the trading members to frame a surveillance policy for effective monitoring of Trading Members and monitoring the alerts based on trading activity on the Exchange. Trading members 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. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash & Derivatives
2	Sudden trading activity in dormant account	Cash & Derivatives
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	Cash
9	Wash Sales	Cash
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash & Derivatives



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The Company may formulate its own alerts in addition to above mentioned type of alerts

2) Clients Information:

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

3) Analysis:

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

- a. To seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions
- b. To Seek documentary evidence such as bank statement / demat transaction statement or any other documents as below:
 1. In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.
 2. The period for such statements may be at least 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.
- c. The Company shall review the alerts based upon:
 1. Type of the alerts downloaded by the exchange
 2. Financial details of the clients
 3. Past Trading pattern of the clients! client group
 4. Bank / Demat transaction details
 5. Other connected clients in UCC (common email/mobile number/address, other linkages, etc)
 6. Other publicly available information.
- d. 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.





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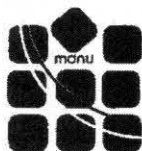


4) Monitoring and reporting:

For effective monitoring, the Company:

1. Within 30 days of alert generation shall dispose of 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.
- 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 Officer. Compliance Officer would be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.
 - 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.





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1. Surveillance Policy for operations as Depository Participant:

1. CDSL is providing transactional alerts on biweekly basis based on threshold defined by CDSL to the all the Depository Participants including MSBPL through CDSL report download utility. As per applicable Communiques, MSBPL 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.
2. Multiple Demat accounts opened with same PAN/mobile number/ email ID/ bank account details/ address. While reviewing BO account details, the details of existing BO shall also be considered.
3. Email/ letters sent to clients on their registered email ID/address which bounces/ returns undelivered.
4. A BO who has submitted modification request for changes in his/her/its demographic details of address, email id, mobile number, bank details, POA holder, Authorised Signatory etc. at least twice in a month.
5. Frequent off-market transfer of securities more than twice in a month without genuine reasons.
6. Off-market transactions not commensurate with the income/networth of the BO.
7. Pledge transactions not commensurate with the income/networth of the BO.
8. High value off-market transfer immediately after modification of either email ID/mobile number/ address without genuine reason.
9. 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 transfer with reason code gift/donation to unrelated parties and/or with reason code off-market sales.





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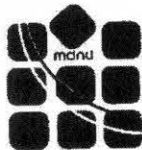
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- 10 .Sudden increase in transaction activity in a newly opened account in a short span of time. An account in which securities balance suddenly reduces to zero and an active account with regular transaction suddenly becomes dormant.
- 11 The DP shall 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.
- 12 In case of any delay in disposing off any alerts, reasons for the same shall be recorded.
- 13 The DP shall identify suspicious/manipulative activities undertaken by any client through monitoring of transaction(s).

2. Process of disposal of alerts and action:

- a. The designated officials who are tasked to review the alerts on daily basis shall review the same.
- b. 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.
- c. 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 Compliance Officer for his/her approval.





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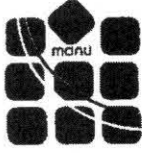
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- d. The Compliance Officer, after review of the alerts along with the submitted comments of the designated official, decides to close the alert, he/she shall close it with appropriate remarks. If the Compliance Officer finds that action in respect 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.
- e. 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.
- f. 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 on to designated officials under the supervision of the Compliance Officer.

3. **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 MSBPL. The policy implemented by MSBPL in accordance with the provisions of Prevention of Money Laundering Act, 2002 and rules made there 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. The Board as well as the Designated Director shall be apprised of any exception noticed during the disposal of the alerts.





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- The Designated Director shall be responsible for all surveillance activities carried out by the trading member.
- MSBPL 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.

4. 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:

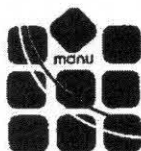
A. Status of Alerts generated by the Trading Member:

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
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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





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





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5. Review of Policy:

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

Manu Stock Broking (P) Ltd.

Ritesh Jain

Director / Auth. Signatory

