



PRABHAT FINANCIAL SERVICES LIMITED



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Member :National Stock Exchange of India Limited, Bombay Stock Exchange Limited, SEBI REGN. NO. -INZ000169433
D P : Central Depository Services (India) Limited. SEBI REGN NO. IN-DP-CDSL-216-2003

Prabhat Financial Services Ltd.

Standard Operating Procedure (SOP) for processing of surveillance alerts

This SOP is applicable for Prabhat Financial Services Ltd.'s DP operations as member of National Stock Exchange of India Ltd, BSE Ltd and MCX Ltd and as Depository Participant (DP) of CDSL. The DP ID is **31400** and SEBI Registration No. is **INZ000169433**. The SOP has been framed in accordance with the provisions of CDSL Communiqué No. **CDSL/OPS/DP/SYSTM/2024/341** dated **June 20, 2024**.

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the market. The goal of surveillance is to spot adverse situations in the market and to pursue appropriate preventive actions to avoid disruption to the markets and the company. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze the trading pattern of the clients in order to observe whether any transaction (buying/selling/off market) done intentionally, which will have an abnormal effect on the price and/or volumes of any share, which is against the fundamental objective of the Securities Market.

In order to maintain the records of the transactional alerts received from the Exchanges, Depositories or the one generated at our end, and to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified based on above alerts, based on the type of Alerts, the following steps to be taken to review and dispose of the alerts:

1. Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
2. Financial details of the client.
3. Past trading pattern / transactions of the clients/client group.
4. Seek documentary evidence such as bank statement/demat transaction statement or any other.
5. Documents to satisfy itself
 - In case of funds the financial details of the client, bank statements of the Client(s)/Group of Client(s) from which funds pay-in has 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.
 - 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.
6. Other connected clients having common email/mobile number/address or any other linkages etc.

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The surveillance alerts which are generated at DP end as well as alerts generated by CDSL contains following parameters:

1. Multiple Demat Accounts Opened with same demographic details: 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.
2. Alert for communication sent on registered Email id/address of clients are getting bounced: Emails / letters sent to clients on their registered email ID/address are getting bounced/returned undelivered.
3. Frequently Changes in Client Master: 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.
4. Frequent Off-Market transfers by a client: Frequent off-market transfer of securities more than twice in a month without genuine reasons.
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: Off-market transfers (High value) immediately after modification of either email ID/mobile number/ address without genuine reason.
8. Frequent transfers with reason code Gifts/Donation/Off Market Sale to unrelated parties: 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.
9. Alert for newly opened accounts and suddenly holding in demat account becomes zero: 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.
10. Off Market transfer to Unrelated Accounts
11. Suspicious Off Market Credit and Debit
12. Off Market Delivery in Unlisted Scrip
13. Gift Donation Related Off Market Transfer
14. Off Market Transfer at Variance with Market Value
15. Off Market Transfer in suspicious scrip
16. Suspicious Closure of Account

The alerts shall be reviewed on daily basis and be processed within 30 days from the date of generation of the alert by CDSL and with respect to the alerts generated at the DP end. Any suspicious alert generated through the system shall be reported to the Board and intimate to FIU immediately.

The records of alerts generated, and disposed of as closed 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.

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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.

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	

Review of SOP: The SOP 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.

Maker-Checker mechanism shall be followed during processing & disposal of surveillance alerts. Surveillance alerts are generated in our back office software "Shilpi Computers Pvt. Ltd.", the alerts are processed and disposed off from two distinct user IDs created on the software, one for the Maker (the user who processes the alert) and one for the Checker (the user who reviews and approves the processed alert).

The Maker logs into their user ID to review incoming surveillance alerts. The Maker processes the alerts by investigating the issues and documenting findings within the software.

After processing, the Maker submits the alert for review, marking it as ready for the Checker.

The Checker logs into their user ID and accesses the submitted alerts. They carefully review the Maker's actions and findings, ensuring all necessary checks have been performed.

If the Checker is satisfied with the findings, they approve the alert for disposal. If there are issues, the Checker can send it back to the Maker for further investigation or correction.



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Both processing and checking actions should be logged within the software to maintain a clear audit trail. Regular audits shall be conducted to ensure compliance with the Maker-Checker process.

Further, please note that the maker-checker mechanism is followed manually by maintaining register and the compliance officer reviews and fulfills the responsibility as checker. Online maker-checker mechanism is under process as per **Communiqué No. CDSL/OPS/DP/SYSTM/2024/341** dated June 20, 2024 and will be applied when the same will be provided by the back-office software vendor.

For Prabhat Financial Services Limited

Shri Prakash Kabra
(Director)

Ashok Kumar Sharma
(Director)

Kartikey Sharma
(Compliance Officer)

To,

Harshada G Deshpande
Dy. Manager
Audit, Inspection and Compliance Department
Central Depository Services (India) Limited
Unit No. A-2501, A Wing, Marathon Futurex,
25th Floor, Mafatlal Mill Compounds,
N M Joshi Marg, Lower Parel (E),
Mumbai-400013

Sub: Submission of Compliance Report for the Inspection of DP ID 31400

Dear Sir/ Madam,

With respect to the letter (**CDSL/A&I/INSP/HSD/2024/431**) dated Sept 02nd, 2024 received for Submission of Compliance Report for Inspection of our DP ID 31400 for the period from 01-Aug-2023 to 31-July-2024, kindly note that we have implemented the Standard Operating Procedures for processing of surveillance alerts as specified in the Communique CDSL/OPS/DP/SYSTM/2024/341 dated June 20, 2024.

The copy of Standard Operating Procedures (SOP) is enclosed herewith for your reference. Further, please note that the maker-checker mechanism is followed manually by maintaining register and the compliance officer reviews and fulfills the responsibility as checker. Online maker-checker mechanism is under process as per **Communique No. CDSL/OPS/DP/SYSTM/2024/341** dated June 20, 2024 and will be applied when the same will be provided by the back-office software vendor.

Thanking You,

Yours Faithfully

**For R P Khandelwal & Associates
Chartered Accountants
M. No. 071002**

**Kartikey Sharma
(Compliance Officer)**