



The Wealth Creator

Star Finvest Private Limited

MEMBER : National Stock Exchange of India Ltd, Bombay Stock Exchange Ltd, MCX, Depository Participant-NSDL
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SURVEILLANCE POLICY

Introduction:

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations.

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 markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets.

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 analyse the trading pattern of the clients in order to observe whether any transaction (buying / selling) 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.

The policy covers the various surveillance alerts generated / received from the exchange for identifying suspicious trades, analysis of these alerts, methodology of reporting the alerts to the exchange/ FIU.

Star Finvest Pvt Ltd. (SFPL) is a registered Broker of National Stock Exchange of India Ltd. (NSEIL) and Bombay Stock Exchange Ltd. (BSE). Star Finvest Pvt Ltd. is also registered as Depository Participant with NSDL. Therefore, Surveillance Policy can be divided in two parts:

1. Surveillance Policy for trading alerts
2. Surveillance Policy for DP alerts

PART – I: Surveillance Policy for Trading Alerts

National Stock Exchange vide circular no. NSE/INVG/22908 dated March 7, 2013, intimated that the Exchange would be downloading the following alerts based on the trading activity of the client for facilitating the effective surveillance mechanism and directed the stock brokers to frame a

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surveillance policy for the same. The surveillance policy shall cover the maintenance and disposition of alerts received from exchanges/generated at our end.

Type of surveillance alerts:

Sr No	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	Cash
12.	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13.	Order book spoofing i.e. large orders away from market	Cash

Downloading and Analyzing of Alerts by Surveillance Team:

The alerts provided by exchanges shall be downloaded on daily basis by the Compliance department from respective exchange system for an in depth analysis. The alerts shall be analyzed based on type of alert, client’s past trading pattern, clients occupation, clients financial review, other connected clients in our database, etc. The alerts which are found to be suspicious and of

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which the Surveillance Team is of the opinion that the same needs to be reported to the exchange shall be flagged separately.

Process of identification of suspicious/manipulative activity:

In case of any alert being received either from the exchange or generated at our end, following procedure is to be followed:

To review the type of alert downloaded by the exchange or generated at our end.

- i. Financial details of the client.
- ii. Past trading pattern of the clients/client group.
- iii. Bank/Demat transaction details.
- iv. Other connected clients having common email/mobile number/address or any other linkages.
- v. Other publicly available information.

After analyzing the alerts generated and in case of any adverse findings, the same shall be communicated to the exchange within 45 days from the alert generated. The Company may seek extension of time period from the exchange, wherever required.

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts received from the exchange the following information shall be sought from the clients:

- a) Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to funds and securities and other trading pattern.

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- b) Seek documentary evidence such as bank statement / Demat transaction statement or any other documents to support the statement provided by the clients:
- i. 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.
 - ii. 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) 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 shall maintain a register which shall record time frame for disposition of alerts, the findings, and if there is any delay in disposition, the reasons for the same, etc.

The surveillance process shall be conducted under overall supervision of the Compliance Officer and based on facts and circumstances he is required to take adequate precaution. Compliance Officer would be responsible for all surveillance activities and for the record maintenance and reporting of such activities.

The Company shall prepare quarterly MIS and shall put to the Board of Directors 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

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shall be taken. In case of any exception noticed during the disposition of alerts, the same shall be put up to the Board.

Internal Auditor of the Company shall review its 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.

PART – II: Surveillance Policy for DP Alerts

NSDL various circulars on this subject, directed Depository Participants that the provisions of Anti-Money Laundering are complied with in all respects.

Further, NSDL sending alerts at fortnightly intervals regarding transactions that are potentially suspicious and intimating the parameters for generating alerts to enable DPs to identify and report Suspicious Transactions. The alerts which are being provided by NSDL on fortnightly basis are:

1. Details of debit and credit transactions due to off-market or inter-depository transfers having value of Rs."y" and above, in an account in an ISIN, in a single transaction or series of transactions executed during the fortnight.
2. Details of debit and credit transactions due to demat, remat and pledge involving "x" shares or more in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight.

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3. Details of debit and credit transactions involving "x" shares or more or having value of Rs."y" and above, whichever is smaller in an account, in an ISIN, which exceed "n" times the average size of the transaction calculated for the previous months' transactions.
4. Details of off-market transactions (within NSDL and Inter-depository) where there are more than "x" transactions in an account for the past fortnight.
5. Any debit transaction in a dormant account for more than "x" shares or more or Rs."y", whichever is smaller, will be reported as an alert. An account having no "Debit Transaction" in the last "n" months will be considered as a "Dormant" account for this purpose.

Furthermore, NSDL directed all DPs to generate appropriate surveillance alerts at their end. The surveillance alerts which will be generated [effective from October 1, 2021] at Star Finvest Pvt. Ltd. are:

- Alert for multiple demat accounts opened with same demographic details [Alert for accounts opened with same PAN /mobile number / email id/ bank account no./ address considering the existing demat accounts held with the Participant].
- Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- Frequent Off-Market transfers by a client in a specified period
- Off-market transfers not commensurate with the income/Networth of the client.
- Pledge transactions not commensurate with the income/Networth of the client.
- Off-market transfers (High Value) immediately after modification of details in demat account
- Review of reasons of off-market transfers provided by client for off-market transfers vis-à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales

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- Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.

Identification and Reporting of status of alerts:

- Star Finvest Pvt Ltd. will maintain register (electronic/physical) for recording of all alerts generated.
- While reviewing alerts, Surveillance/Compliance team shall obtain transaction rationale, verify demat statement and other supporting documents as required from the client.
- After verifying the documentary evidences, Surveillance/Compliance team will record its observations for such identified transactions of its Client.
- With respect to the transactional alerts provided by Depository, Surveillance/Compliance team will ensure that all alerts are reviewed, and status thereof (Verified & Closed / Verified & Reported to Depository) including action taken is updated within 30 days.
- With respect to the alerts generated at the DP end, Surveillance/Compliance team will report instances with adverse observation, along with details of action taken, to NSDL within 7 days of the date of identification of adverse observation.

Obligation of Compliance Officer and Internal/Concurrent Auditor:

- The surveillance activities of DP shall be conducted under overall supervision of its Compliance Officer.
- A quarterly MIS shall be put up to the 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.
- Internal auditor will review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor will record the observations with respect to the same in their report.
- Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the DP.

Quarterly reporting of status of alerts generated at DPs end:

Surveillance/Compliance team will also required to submit approved status of the alerts on a quarterly basis to NSDL within 15 days from end of the quarter in the below mentioned format:

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Name of Alert	No. of alerts pending at the beginning of the quarter	No. of new alerts generated in the quarter	No. of alerts verified and closed in the quarter	No. of alerts reported to Depository	No of alerts pending for process at the end of quarter

Policy Review:

This policy shall be reviewed by the Board and any necessary changes shall be introduced as and when it is found necessary due to business needs and the same shall be communicated to the compliance officer. The compliance Officer shall make necessary modifications communicated to him and hence the new modified policy shall come into effect.

For Star Finvest Private Limited

(Surender Kumar Gupta)
Director

Date: 01-04-2022

