

Controls Implemented by Trading Members to Caution Investors on Risks

In the financial markets, Mandot Securities Private Limited play a crucial role as a trading member in safeguarding investors from potential risks associated with various schemes and practices. This includes cautioning investors about illegal activities and schemes like Dabba Trading, Assured Returns, and specific types of Portfolio Management Services (PMS). Below is an outline of the controls and measures typically implemented by us to address these concerns:

1. Dabba Trading

Dabba Trading refers to off-the-record trading outside the formal stock exchange system, often involving unregulated transactions that circumvent official trading platforms. To counteract Dabba Trading, trading members implement the following controls:

- **Client Verification:** Strict KYC (Know Your Customer) processes are enforced to ensure that all clients are properly verified and their transactions are recorded through legitimate channels.
- **Transaction Monitoring:** Regular monitoring of trade patterns and discrepancies helps identify unusual or suspicious trading activity that may indicate off-the-record transactions.
- **Reporting Mechanisms:** There are established channels for reporting suspicious activities or irregular trading behaviors to the relevant regulatory authorities.

2. Assured Returns

Assured Returns schemes promise fixed returns on investments, which is often a red flag for potential fraud. To mitigate the risks associated with such schemes, trading members adopt the following measures:

- **Investor Advisory:** MSPL offers advice and warnings about the risks of guaranteed return schemes, emphasizing that genuine investments in financial markets cannot offer guaranteed returns.
- **Due Diligence:** Enhanced due diligence is conducted on products and schemes marketed by third parties to ensure they are legitimate and do not offer unrealistic returns.
- **Regulatory Alerts:** Regular updates and alerts from regulatory bodies are communicated to investors, informing them about the risks and scams related to assured returns schemes.

3. Portfolio Management Services (PMS)

Portfolio Management Services involve professional management of investments, but can sometimes be misused or inadequately managed. To protect investors, trading members implement these controls:

- **Regulatory Compliance:** Ensuring that PMS providers comply with regulations set forth by the Securities and Exchange Board of India (SEBI) or relevant regulatory bodies. MSPL is registered to provide the benefit of PMS to the Clients who specifically opts for the said service after a proper PMS KYC Registration
- **Transparency Requirements:** Mandating full transparency regarding the PMS

provider's performance, fees, and investment strategies. This helps investors make informed decisions based on accurate information.

- Regular Audits: Conduct regular audits and reviews of PMS providers to ensure compliance with regulatory standards and adherence to ethical practices.
- Disclosures and Agreements: MSPL does not engage in any Portfolio Management Services, but we are Ensuring that all PMS agreements and disclosures are clear, comprehensive, and provided to investors before engaging in services.

General Controls

In addition to the specific controls for Dabba Trading, Assured Returns, and PMS, trading members implement general safeguards such as:

- Departments: Dedicated teams ensure adherence to all regulatory requirements and internal policies.

By following the above mentioned controls, trading members aim to create a safer trading environment and protect investors from illegal schemes and fraud investment practices.

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General Controls

In addition to the specific controls for Dabba Trading, Assured Returns, and PMS, trading members implement general safeguards such as:

- **Departments:** Dedicated teams ensure adherence to all regulatory requirements and internal policies to prevent and address fraudulent activities.
- **Training Programs:** Ongoing training for staff to recognize and handle potential fraudulent schemes effectively.

By instituting these controls, trading members aim to create a safer trading environment and protect investors from illegal schemes and dubious investment practices.
