



Date: 14/03/2016

To,
The Office of Director,
FIU - India
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Kautilya Marg, Chanakyapuri,
New Delhi – 110021

Dear Sir,

Subject : PMLA Policy

Ref : SEBI Registration Numbers:
1) MCX / TCM / CORP / 0930
2) NCDEX / TCM / CORP / 0770

We intimate that we have framed our PMLA Policy. The new policy has been adopted by the Board in its meeting dated 17th October 2015, the same is enclosed herewith for your kind reference.

Thanking You
Yours Faithfully
For Ajay Natavarlal Commodities Pvt. Ltd.

Chandulal C Diyora
(Authorised Signatory)



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Anti Money-laundering Policy – Ajay Natavarlal Commodities Pvt. Ltd. [ANCPL]

1) Background

1.1 In pursuance of the recommendations made by FATF (Financial Action Task Force) to prevent and stamp out money-laundering activities and terrorist financing, SEBI / FMC has come out with guidelines requiring intermediaries to put in place policy framework to ensure complete integrity in respect of intent of money and money-related transaction being put through by SEBI / FMC -registered intermediaries.

2) What is Money Laundering?

2.1 Money Laundering is nothing but a transaction or a series of transactions undertaken with a view to switching around proceeds received or earned from unlawful activities and/ or to concealing the true identity of the person/ entity who has earned such proceeds. Financial institutions and intermediaries have been largely used by criminal and terrorist outfits to launder money for their unlawful activities. A financial intermediary must therefore institute measures at (a) client induction level (b) transaction level and (c) Surveillance level in order to combat money laundering for unlawful activities.

3) Prevention of Money Laundering Act 2002 (PMLA 2002)

3.1 PMLA 2002 forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and rules notified thereunder came into force with effect from July 1, 2005.

3.2 PMLA 2002 and rules framed thereunder impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to Financial Intelligence Unit (FIU) INDIA.

4) Financial Intelligence Unit (FIU) INDIA

4.1 The Government of India set up Financial Intelligence Unit-India (FIU-INDIA) on November 18, 2004 as an independent body to report to Economic Intelligence Council headed by Finance Minister.

4.2 FIU-IND has been established as a nodal national agency for receiving, processing, analyzing and disseminating information relating to suspicious transactions. FIU-IND is responsible for co-ordinating and enhancing efforts of national and international intelligence and enforcement agencies that are tasked with the responsibility to detect and deter money-laundering and related crimes.



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5) Policy of ANCPL

5.1 ANCPL has therefore resolved that it would institute measures to detect and deter money laundering and shall, therefore, devise a framework to report suspicious transactions to FIU-IND in adherence to the guidelines of PMLA Rules, 2002. This policy is applicable to ANCPL Employees and Authorized Persons.

6) Objective of the guideline

6.1 The purpose of this document is to instruct and educate employees of ANCPL and its associates about the efforts needed on their part to detect and deter money laundering and/ or terrorist financing activities. It shall be the responsibility of all employees of ANCPL and associates to ensure that their efforts do live up-to the spirit and intent of requirements spelt out in Prevention of Money Laundering Act 2002 and amendment made thereunder from time to time.

6.2 Not all the measures spelt out herein may be applicable to all the people, associates and situations. Each person/ entity should consider carefully the special situation of its business, type of customer and transaction to ensure that the measures initiated for detecting and deterring money-laundering are adequate and appropriate.

7) Implementation of this Policy

7.1 Mr. Bhavesh N. Sheth – director shall be the Principal Officer responsible for:

- (a) Compliance of the provisions of PMLA and AML guidelines
- (b) Acting as a central reference point for identification and assessment of suspicious transactions
- (c) Ensuring that ANCPL discharges its obligation to report suspicious transactions to FIU-IND and other designated authorities.

7.2 Central aspect of the policy is Customer Due Diligence which is aimed at

- (a) Obtaining sufficient information about a client in order to identify who is actual beneficial owner of the asset or on whose behalf the transaction is being conducted.
- (b) Verifying customer's identity using reliable information, data and/or document
- (c) Conducting on-going scrutiny of client's account and the pertinent transactions to verify that the transactions are consistent with client's financial status.



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7.3 Customer Due Diligence process comprises the following three specifics.

Policy for Acceptance of clients

Client Identification Procedure

Suspicious Transactions identification and its reporting

8) Customer Acceptance Policy

8.1

- A. Each client should be met in person: Accept clients who we are able to meet in person. The client should visit our office or authorised person or the concerned staff should visit the client at his/ her residence/ office address, to get the necessary documents filled in and signed. It should be a preferred practice to accept clients who live within the jurisdiction of the office and/ or authorised person. In case of authorised person clients, the clients' signature must be invariably verified by the introducing authorised person.
- B. Accept clients to whom we can apply KYC standards: The KYC form must be signed by the client wherever the client signature is required. The form should carry the necessary details. All photocopies of documents must be verified against the originals.
- C. Do not accept clients with known criminal antecedents and conviction record: Persons with known criminal and conviction record must not be accepted as clients.
- D. Exercise extra care while accepting clients of special category: Exercise utmost circumspection while accepting special category clients like HNIs, Trust, Politically Exposed Person (PEP), persons of foreign origin and closely held companies.
- E. Identification of beneficial ownership: As part of due diligence measures for non-individual customers, sufficient information must be obtained in order to identify persons who beneficially own or control the client account. Wherever beneficial owners are distinct and different from apparent owners' identification proof and address proof of beneficial owners must be obtained and kept with KYC. Beneficial owner is the natural person or persons who ultimately own, control or influence the apparent client.
- F. No relaxation for submission of mandatory information/ documents: Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.

8.2 Customer Identification Procedure (for new clients) Objective: To have a mechanism in place to establish identity and address of the client to prevent opening of any account which is fictitious/ benami/ anonymous in nature.

8.2.1 Documents which can be relied upon:



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- a) PAN Card: PAN Card is mandatory and is most reliable document and its genuineness can be independently verified through IT website.
- b) Identity Proof: PAN Card itself can serve as proof of identity. However, in case PAN Card carries an old photograph of the holder, which does not match the current facial features of the client, we should take other identity proof in the form of Voter's Identity Card, Passport, Ration Card or any Government/ PSU/ Bank issued photo identity card.
- c) Address Proof: For valid proof, we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Card, Ration Card and latest Electricity/ Telephone Bill in the name of the client.

8.2. 2. Documents to be obtained as part of customer identification procedure for new clients:

- a) In case of individuals, one copy of the following documents has to be obtained.
 - 1) PAN is mandatory, verify its genuineness with IT website and cross verify the PAN Card Copy with the original.
 - 2) Other proofs of identity are Voters' Identity Card, Passport, Ration Card or any other Government/ PSU/ Bank issued photo identity card or any other document prescribed by regulatory authorities.
 - 3) Address proof in the form of Voter's Identity card, passport, bank statement, Ration card and latest Electricity/ Telephone bill in the name of the client or any other document prescribed by regulatory authorities.
- b) In case of corporates, one certified copy of the following documents must be obtained:
 - 1) Copy of Registration/ Incorporation certificate
 - 2) Copy of Memorandum & Articles of Association
 - 3) Copy of corporate PAN Card
 - 4) Copy of PAN Card and DIN (Director Index Number) of all directors
 - 5) Copy of the latest audited Annual Accounts of the corporate
 - 6) Latest ITR (Income Tax Return)
 - 7) Board Resolution for opening the client account with ANCP Land appointing an authorised person for opening, operating and closing the client account. If the authorised person is some-one other than the directors, the PAN Card and address proof (duly self-certified) by the authorised person.



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(c) In case of partnership firm, certified copies of the following must be obtained.

- 1) Registration certificate
- 2) Partnership Deed
- 3) PAN Card of Partnership firm
- 4) PAN Card of all partners
- 5) Address Proof of Partnership firm – Latest telephone bill or electricity bill or bank account statement (mentioning the address) or any other Govt. or Govt. body issued document showing address.
- 6) Authorization/ Resolution for the person authorized to open/ operate the account. If the authorized person is other than the partners, PAN Card and address proof (duly self-attested) of the authorised person.
- 7) Latest audited annual accounts of the firm
- 8) Latest ITR (Income Tax Return) of the firm

f) No NRI account should be opened unless and until government passes a resolution to open NRI account.

8.3 General Guidelines

- (1) Authorized Persons / Staff responsible for client identification should always verify the photocopies of documents against their originals. If found in order, the documents must be stamped, verified against originals and should carry the signature of Authorized Persons/ Staff the case may be.
- (2) The Account Opening Form (AOF) must carry the latest photograph of the client and the photograph must be signed across by the client.
- (3) The Financial Status of the client must be supported by his/her latest IT return and/ or Financial Statement such as Balance Sheet, Profit & Loss Account or Net worth certificate duly attested by a Chartered Accountant.
- (4) The value of client transaction must be continuously verified against the client's gross annual income. We have fixed a ceiling of twenty five times value of the latest gross annual income of the client for commodity derivative trading for a one month period. That means if the client's latest annual income is say 'X', he/ she / it would be allowed a value ceiling of 25X for a period of one month. In case of the client exceeding the value ceiling of 25X, the client should be asked to update his/ her financial status or else should be reported to FIU-IND in Suspicious Transaction Report. In case of the client failing to update the financial status and also give the above- said undertaking, the client should be reported in Suspicious Transaction Report to FIU – IND. In case the client has no such document to offer, the client must give a self-declaration as to assets, liabilities and gross



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annual income. This self-declaration shall be accepted as proof for client's financial status. The client must, therefore, steer clear of any mis-statement in this self-declaration.

- (5) The clients Financial Status must be updated once In a year in order to update the client's risk profile.
- (6) We are at liberty to probe client's financial source for his/ her / its transactions being conducted through us. Such probe shall be undertaken by us, suo motto, in case of any doubt or misgivings on our part regarding the proportionality of client's dealings vis-à-vis his/ her / its declared and known sources of income as furnished to us. To support our enquiry, we are empowered to invite from clients the details/ information/ data as deemed fit by us. Non-cooperation by the client with us in such inquiry shall result in client's account being frozen and being reported to FIU-IND.
- (7) For scrutiny/ background check of clients, we shall use websites such as www.watchoutinvestors.com , www.sebi.gov.in and www.cibil.com
- (8) In case any communication sent to client to his/ her / its address recorded with us is returned undelivered, we shall once again send it to the client under Registered-AD post. If it is again returned undelivered, the client's account shall be frozen by us and an intimation would be sent to the client to his/ her / its recorded address of the act on our part of having frozen his/ her / its account. For re-activating the account, the client will have to give us his/ her / its reasons for return of the communication and in case of address-change, the change of address will have to be recorded by the client with us by giving proof of new address.
- (9) In case of clients of authorised persons, the clients must be suitably introduced by relevant authorised person. For this, there is a format provided in our KYC.
- (10) In case of direct clients, a due diligence will be carried out by our designated employee of the veracity of client and his/ her address. The due diligence shall be recorded by the employee in client KYC. For this, a suitable format is provided in KYC.

8.4 In case of existing clients, if

- (a) There is any negative change in client's financial status from what is given in KYC.
- (b) The client is not contactable/ traceable at his/ her recorded address
- (c) The client is under any prohibitory order of any Govt./ regulatory authority
- (d) The client does not provide the additional information asked for.

the same should be brought to the notice of Compliance Head, who would in turn take it up with the Principal Officer to enable him to take an appropriate decision, including reporting of the client to FIU-IND, New Delhi.



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9) Risk Profiling of the client

9.1 We have identified three classes of risk, i.e. low-risk, medium-risk and high-risk, for the clients.

The idea is to associate each client with a specific risk level and apply the PMLA procedures consistent with the risk-level identified.

a) Low-Risk Client:

Individual resident client having furnished all required documentary proof, declared Annual Gross Income supported by documentary proof and operating trading account under self-signature (that is without a Power of Attorney).

b) Medium Risk Client:

- i) Individual Resident client having furnished all documentary proof, declared Annual gross Income but without any support for income.
- ii) Any individual resident client operating the account(s) under Power of Attorney.
- iii) Any individual client having conviction record.
- iv) All institutional clients such as companies, registered/ unregistered trusts, Associations of Persons, Financial Institutions, NBFCs.

c) High Risk Client:

- i) All Politically Exposed Person/ Entity clients or clients related to such persons and entities.
- ii) All entities/ individuals having been debarred by SEBI / FMC for three months or more but not under ban any-more.
- i) All individuals/ entities convicted by a Court of Law under any financial scam/ criminal conspiracy/ infringement of Official Secrets Act/ charge of spying for a foreign country or any other act against nation's integrity and sovereignty.

9.2 It befalls the authorised person to report to us any change in the risk-profile of the clients introduced by them.

10) Roles (Sales person/ Authorised person)

- (1) The Sales person/ Authorised person as the case may be should meet the client in person at least once at the client address before opening the account. In the process, he may reasonably verify the living standards, source of income, financial status etc. of the client and ensure that the details mentioned in the Account Opening Form (AOF) match with the ground-reality.



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- (2) In case of a walk-in client, client's background, identity and financial status must be independently verified.
- (3) In case of authorised person clients, in-person verification of the client must be invariably carried out by authorised person.
- (4) In case of the client appointing a mandate-holder, we obtain Proof of Identity and Proof of address of mandate-holder.

11) Risk Management Team (RMT)

11.1 RMT gives exposure to clients based on margin made available by the client. RMT should ensure that no clean exposure is given to any client.

11.2 Monitoring of Transactions

- a) Scrutinize unusually large transactions like large number of trades in a single commodity, frequent square off of existing positions or any other transaction which is way far from client's financial status. Scrutiny is also required for trades if the clients have traded 25 % or more of the total exchange-volume.
- b) Check previous trading pattern of the client in that particular commodity.
- c) If there is substantial increase in turnover in a dormant account, it should be brought to the notice of the Principal Officer. Check volume and pattern of trading in case of dormant account. Remain live to the movement of credit balances from dormant accounts.
- d) RMT should keep a tab on clients with huge and regular losses and are however continuing to trade. RMT should remain live to the accounts from which fund-transfers are being made to finance such losses. In case of any fund transfer from an account other than that of client, the client should be put on notice and Principal Officer should be immediately intimated.

11.3 Parameters for analyzing transactions

- (1) Analysis of top clients in terms of turnover: At the end of the financial year, top 25 clients in descending order of turnover should be identified and their financial status must be verified against the volume of their turnover. The focus of the scrutiny is to ascertain whether the client has supported his/ her / its trading volume with fund transfers either as margin or as pay-in obligation from his/ her / its account (which is mapped with us). In case of top 25 clients, the financial status must be updated and should be within the permitted value-ceiling for turnover vis-à-vis the declared annual gross income.



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- (2) Trades shifted from one client to another: On a daily basis, we shall analyze the trades shifted from one client account to another, either during the market hours or after the market hours. The idea is to ascertain whether such transfers are carried out to hide the identity of beneficial owner, indulge in profit/ loss transfer or to arbitrage the margin available in another client's account. We shall also analyze the frequency with which such transfers are happening between any two accounts and also the dealer terminal from which such client code mismatches are happening. The focus is to establish whether there is any cozy relationship between a dealer and a client or group of clients for motivating such transfers.
- (3) Employee/ authorised person trades: Employee/ authorised person trades shall be scrutinized to ascertain whether such trades are done for any client/ associate for any cash consideration. The trigger for such scrutiny shall be the employee/ Authorised person undertaking voluminous transactions in the same commodity over and over.
- (4) Frequent changes in client details like bank account, address, mobile no. , email id etc.: A monthly analysis of changes in client details shall be undertaken to identify clients who are making frequent changes and whether such charges are being made with an intent to hide or obfuscate the client-identity.

12) Role of a Authorised Person

12.1 An Authorised person acts as a layer for risk-mitigation for the broker. The Authorised person absorbs the risk generated by retail clients. Towards this end, we appoint APs only after such APs have given us a minimum deposit of Rs. 1,00,000/- or any such amount as may be decided by the management. It is this deposit that acts as a cushion for the risk generated by orders placed by clients of the AP. The AP for his service receives a share from the brokerage earned on the retail clients introduced him/ her.

12.2 Monitoring of transactions in AP's account.

1. A background check of the intending AP shall be carried out by the Sales Person. Further, database of SEBI, RBI, CIBIL shall be used to ensure that the prospective AP does not figure in any of their lists either as a violator or defaulter.
2. Disproportionately high volume and value of transactions in the account of AP shall be a trigger for probe to ascertain that these transactions are not done for others.



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Though there is nothing illicit about AP trading, such trading should not cause erosion of financial capacity of the AP.

3. It shall be the responsibility of APs to bring the provisions of the instant policy to the notice of their clients.

13) Role of Human Resource Department (HR Dept.)

13.1 The HR Dept. shall play a central role in hiring employees. The HR Dept. should have a screening procedure in place to ensure that people of dubious background and antecedents do not enter the workforce. “Know Your Employee” Form has been put in place to ensure that people of doubtful integrity do not get hired. The HR dept. shall also sensitize new employees to the provisions of PMLA Policy.

13.2 The company will subject employee accounts to the same AML (Anti Money Laundering) procedures as customer accounts under the supervision of HR Department.

14) Role of Compliance Department under General Manager

14.1 The Compliance Department shall ensure that

- a) KYC forms should invariably have undertaking from the client that he/ she is not indulging in/ associated with any money-laundering activity.
- b) All disclosure documents should have notice to the client intimating company’s right to obtain and disclose any information about the client to competent authorities.
- c) New employees are properly briefed about the PMLA Policy.
- d) Regular training sessions are conducted to update employees about new provisions in Prevention of Money Laundering Act.
- e) The PMLA Policy is drafted in the light of modifications/ additions to Prevention of Money Laundering Act and amendments made thereunder from time to time.
- f) The Director is briefed about updates to the policy and regulations of Money Laundering Act.
- g) Legal challenges arising from the implementation of the instant policy are adequately addressed through resort to judicial process, if required.



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- h) Training programs are developed to sensitize employees/ authorised persons to Anti Money Laundering provisions and updates thereof so that ANCPL's PMLA policy is effectively implemented in its entity.

15) Role of Designated Director

The Designated Director shall cause the Board to review this policy minimum once in a year. However if there are any legislative changes in PMLA requiring review and re-draft of the policy, the director shall place before the Board the reviewed and re-drafted policy along with a brief note of the legislative changes entailing such review and redraft. Such review resulting from legislative changes can take place even before the lapse of a year. Further, the Designated Director can suo motto initiate changes in the Policy for better client due diligence and such review has to be intimated to Board, who shall then pass an enabling resolution for incorporating the changes in the Policy.

16) Cash Transactions

It is our policy not to accept cash from clients and associates in discharge of financial obligations. This policy of 'no-cash transaction' shall be strictly followed by all employees and APs. APs shall ensure that clients make direct payments into our client Bank Accounts by way of A/c Payee cheques drawn on their bank accounts, duly mapped with us.

17) Suspicious Transactions

17.1 The thrust of the present policy is to identify and nip in bud suspicious transactions and also take punitive/remedial measures against constituents indulging in such transactions. Before we can identify suspicious transactions, there is a need to define suspicious transaction. Suspicious transaction, whether or not made in cash, means a transaction which to a person acting in good faith, (1) gives rise to doubt that it may involve proceeds of crime and/ or (2) appears to be made in circumstance of unusual/ unjustified complexity and/ or (3) appears to have no economic rationale or bonafide.

17.2 Reasons for suspicion

A. Identity of Client

- i. In case of client account being operated by Power of Attorney holder, frequent money transfer from the account of the Power of Attorney holder to client account. This could mean that the beneficial ownership lies with some-one other than the client.



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- ii. Accounts having names closely resembling to those that appear in the SEBI banned list and/ or SEBI defaulter list or UN list of terrorists or any such other list published by UN (pursuant to resolution 1267 of 1999 concerning Al-Qaida and Taliban and Associated individuals and entities) and/ or Govt. of India.
- iii. Frequent non-delivery or return of communications sent to client at the address registered with us.
- iv. Frequent changes in correspondence address of the client.

B. Client's background

- i. Conviction of client for criminal/ civil offense
- ii. Client being debarred or declared persona non-grata by regulatory authorities.
- iii. Client figuring in CIBIL's defaulter list or any other banned list published by national/ international agencies.
- iv. Client not enjoying a reputation for fair dealing with associates.

C. Connected Accounts

Client accounts having common directors or common dominant promoter group, same shareholder, same address, e-mail id, correspondence address should be under watch. In case all such accounts suddenly start trading in the same scrips in enormous volume, it should be a trigger for further surveillance.

D. Dormant Accounts

Sudden spurt in volume of trades in dormant accounts should be a trigger for further probe. For the purpose of definition, a dormant account is an account which has not had any transaction for the past six months. It is our policy to obtain from the dormant account holder a re-activation request form in which the client spells out the reason for non-activity in the account for the past six months. Though we re-activate dormant accounts on special request, we should remain alive to sudden activity surges in accounts which were dormant not long before.

E. Value of transactions

- i. Value just under the reporting threshold in an apparent attempt to avoid reporting.
- ii. Clients undertaking deals inconsistent with their declared financial status

17.3 What to report?

- a) The nature of transaction



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- b) The amount of transaction
- c) The date on which the transaction was conducted
- d) The reason for suspicion

17.4 Who to report?

In terms of PMLA rules, Broker and Authorised Person are required to report information relating to suspicious transactions to Director, Financial Intelligence Unit – INDIA (FIU-IND), 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi – 110021 as per the details hereunder:

Report	Description	Due Date
CTR	All cash transactions of the value of Rs. 10 lakhs and more or its equivalent value in foreign currency	15 th day of the succeeding month
CTR	All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakhs or its equivalent in foreign currency where such series of transaction have taken place within a month	15 th day of the succeeding month
CTR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or document has taken place facilitating the transactions.	Not later than seven working days from the date of occurrence of such transaction
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious

18) Record keeping requirement

Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and ANCPL has ended or the account has been closed, whichever is later.

19) Role of Accounts Department

The accounts department shall ensure that the clients are making payments from the bank accounts which are mapped in their respective client masters. In case the clients are found making payments



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from bank accounts other than theirs or those that are not mapped with us, the same shall be intimated to risk management department who shall then take it up with the respective authorised person or the client to ascertain the reasons for the same. If the payment has been made from the client's own account but not mapped with us, an intimation shall be sent to the respective authorised person/ client to get the same mapped with us thru the process of client master modification for which a format is available with the KYC Dept. In case the payment is found to have been made from a bank account which is not client's, the payment shall be returned to the same account from which the payment has been made. The Risk Management Dept. will then advise the compliance dept. to send out a suitable notice to the client asking for an explanation for using an alien account for payment purpose.

20) Designated Principal Officer

In case any further information/ clarification is required in this regard, the Principal Officer may be contacted at the address mentioned hereunder:

Bhavesh N. Sheth – Director

Ajay Natavarlal Commodities Pvt. Ltd.

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21) Designated Director

In keeping with SEBI circular no: CIR/ MIRSD/1/2014 DT: 12.03.2014, we have appointed Shri Bhavesh N. Sheth as Designated Director in terms of Rule (B2) of PMLA Rules.

