

**KYC & CDD Policies and Procedures****13.4 Compliance Responsibilities**

To prevent the business against Money Laundering (ML) and Terrorist Financing (TF), the CO shall:

13.4.1 be responsible for the effective compliance of the relevant provisions of the —Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018□, Anti Money Laundering Act, 2010□, and other directions and guidelines issued under the afore mentioned regulations and laws, as amended form time to time;

13.4.2 ensure Anti Money Laundering (AML) policies and procedures are updated in accordance with the above mentioned rules and regulations;

13.4.3 ensure that the internal policies, procedures and controls for prevention of ML / TF are approved by the Board of Directors of the Company, and are effectively implemented;

13.4.4 monitor, review and update the AML policies and procedures of the Company;

13.4.5 provide assistance in compliance to the other departments and branches of the Company;

13.4.6 ensure that the operations desk maintains a list of all such customers / accounts where the business relationship was refused or needed to be closed on account of negative verification;

13.4.7 timely submit the accurate data / returns (shown in **ATT#5**) as required under the applicable laws;

13.4.8 Ensure that all employees responsible for dealing with customer trades, are aware of their responsibility to inform their Head of department via written memo, who shall inform CO of all transactions deemed suspicious.

**13.5 PROCEDURES****13.5.1 Monitoring for ML / TF activities**

13.5.1.1 The risk of money laundering and terrorism financing through brokerage operations can be reduced through controls capable of

monitoring, preventing, detecting and reporting suspicious transactions. The operations department being the front of the

brokerage operations shall be responsible for initial and continuous monitoring of client transactions. Front desk is the initial contact between customer and the Company and front desk shall be responsible for obtaining the client's information and assessing its completeness and accuracy.

### 13.5.2 Customer due diligence (CDD)

13.5.2.1 The operations function, shall carry out the initial screening and assessment of customer based on the relevant information obtained through standard account opening form (SOAF), customer due diligence (CDD), know your client (KYC) and supporting documents.

13.5.2.2 The information shall be collected by the front office in the form provided (shown in **ATT#3**) along with the supporting documents mentioned (shown in **ATT#4**);

13.5.2.3 In order to ensure the completeness of the information, the mandatory fields in the back office system (SEAMS) are required to be filed and the relevant documents are to be collected accordingly. The account opening process cannot progress unless all the mandatory fields are filled. CO also maintains a list of information and documents which are mandatory to be collected for account opening (as shown in **ATT#6**).

13.5.2.4 The operations desk shall ensure that no anonymous accounts that are obviously in the name of fictitious persons are opened or maintained. In order to ascertain the identity of the real controlling party of the trading account the Company shall collect all relevant information and documents.

13.5.2.5 Personal appearance is essential. However, if the client cannot approach any of the Company's offices, the Company's representative visits the client personally.

13.5.2.6 In case of authorized person, the identity of that person should be ascertained along with authority letter duly signed by the customer needs to be obtained also.

- 13.5.2.7 Verification of CNIC / NICOP through NADRA is compulsory. If the customer is a foreigner, the copy of passport (attested by the concerned Embassy in Pakistan) shall be obtained.
- 13.5.2.8 For non-individual customers (e.g. companies, firms, pension funds, non-profit organizations, foreign companies, etc.) additional care has to be taken to know who actually owns the organization and who manages it. In this respect the operations desk shall obtain all necessary documents (e.g. Memorandum and Article of Association, trust deed, Form 29, Form A, Certificate of Incorporation, Certification of Commencement of Business, etc.).
- 13.5.2.9 The operations desk shall verify that the person who represents himself as an authorized signatory of the non-individual customer with powers to open and operate the brokerage account in actually authorized by the organization and in this respect the operations desk shall obtain the copy of the Board Resolution duly certified by the Company Secretary / authorized person.
- 13.5.2.10 The operations desk shall obtain information regarding the source of funding of the customer along with annual income and mention it in the relevant section of the Account Opening Form.
- 13.5.2.11 The operations desk shall ensure that all receipts and payments with the customer above the threshold prescribed by the regulations must be through crossed cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it becomes necessary for the Company to accept cash from a customer, reporting of such instances with rationale should be made immediately to the exchange.
- 13.5.2.12 The operations desk shall not accept cheques, other than client's own bank accounts.
- 13.5.2.13 If the permanent address is different from the one mentioned in the CNIC / NICOP then ownership documents of the new permanent address must be obtained.
- 13.5.2.14 No person other the Account Holder(s) shall be allowed to operate the account without a Power of Attorney from the Account Holder(s) on a non-judicial stamp paper.
- 13.5.2.15 All documents shall be obtained from the customer before opening of the account.

13.5.2.16 If the customer provides his / her signature in the Account Opening Form which is different from the signature on the CNIC / NICOP then the customer must sign an undertaking (as per Company's specified format) confirming the difference of his / her signature.

13.5.2.17 The KYC Form shall be filled-in and signed by designated account opening officers and will be kept with the Account Opening Form.

### **13.6 Risk Assessment and response to identified risks**

13.6.1 Circumstances where a customer may fall in a high risk category of ML / TF include but are not limited to the following;

- Customer(s) belong to country which are non-complaint with anti-money laundering regulations according to FATF;
- Non-resident client;
- Companies that have nominee shareholders;
- shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- Requested / Applied quantum of business does not match with the profile / particulars of client;
- real estate dealers;
- dealers in precious metal and stones;
- lawyers / notaries;
- Customers whose business or activities present a higher risk of money laundering such cash based business;
- Customers with known links to offshore tax havens;
- High net worth customers with clearly identifiable source of income;
- Politically Exposed Persons (PEPs) or customers holding public or high profile positions;
- International transactions, or involve high volumes of currency transactions.
- Such body corporate, partnerships, associations, and legal arrangement including non-governmental organizations or not-for-profit organization which receive donations, and
- Legal persons or arrangement with complex ownership structures.

13.6.2 Risk associated with geographic location or country is dependent on assessment of FATF, United Nations, country generally identified with corruption and criminal activities. Also includes countries identified with drugs business or funding of terrorism.

13.6.3 Countries are divided into 2 categories according to the latest FATF annual report and the transparency international report for corrupt countries ranking. These two categories are high and low, and the rest of countries will be considered as medium. This assessment will be visited once every year.

13.6.4 Politically Exposed Persons (PEPs):

- In case of foreign PEPs, upon identification, CO shall perform EDD in accordance to 13.6.10 of this manual.
- In case of domestic PEPs, where business relationship poses higher risk, CO shall perform EDD in accordance to 13.6.10 of this manual.
- All the regulations applicable on PEPs shall also be applicable on the family members and close associates of foreign and domestic PEPs.

13.6.5 All salary customers will be classified as low.

13.6.6 Line of business for self-employed customers will be considered while determining the risk rating.

13.6.7 All business relations with customers shall be monitored on an ongoing basis to ensure that the transactions are consistent with the Company's knowledge of the customer, its business and risk profile and where possible the sources of funds.

13.6.8 Customer profile should be revised keeping in view the spirit of KYC / CDD and the basis of revision shall be documented and customers may be consulted, if necessary.

13.6.9 Anytime during the initial verification as well as during the continued business relation, operations desk has a reason to believe that the risks mentioned in 13.6.1 are present over the applicants' transactions, the client shall be marked as high risk. Client marked high risk shall be dealt with increased scrutiny and monitoring along with enhanced customer due diligence.

13.6.10 Enhanced due diligence (EDD) measures for high risk customer include but are not limited to the following;

- Compliance Officer shall obtain joint approval from Head of Compliance and Head of Equity operations to establish or continue business relations with such customers;
- Establish by appropriate means, whether the source(s) of income / wealth and/or funds or beneficial ownership of funds, is appropriate or not.
- Conduct during the course of business relations, enhanced monitoring of business relations with the customer.