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1.1 Anonymous or fictitious customer account

Brokers shall ensure that no anonymous accounts or accounts that are obviously in the name of fictitious persons are opened or maintained. Brokers must take all reasonable steps to confirm the true identity of the prospective client and to collect all relevant information to ascertain the identity of the real controlling party of the trading account. For this purpose, minimum set of documents as prescribed by SECP from time to time must be obtained. Brokers may obtain any additional documents where considered necessary.

1.2 Identification of trading account beneficiary

The Brokers shall determine whether a customer is acting on behalf of another person. In such cases steps should be taken and all the relevant documents should be obtained to determine the true identity of that person.

1.3 Beneficial ownership and control structure

For legal persons, Brokers must take reasonable measures to understand the beneficial ownership and control structure of the customer. For this purpose, Brokers shall seek to identify the natural persons with controlling interest and who constitute the mind and management of the legal person or arrangement.

1.4 Customer's Authorization for institutions

For legal persons, Brokers shall verify that person purporting to act on behalf of the customer is so authorized.

1.5 Identity of trading account for institutions

Broker must ensure that accounts of Institutions/ body corporate are not opened in the individual name of any employee/ official. Government accounts should not be opened in the personal names of Government officials. Any such account, which is to be operated by an officer of is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall be opened only on production of a special resolution/ authority from the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government.

1.6 Maintains of customer's profile

Brokers should obtain and document sufficient information on the purpose and intended nature of the account to be opened/ maintained with them and develop a profile of the customer based on results of customer identification and the risk assessment. Information regarding the intended

investment plan of the customer must also be obtained to the extent possible and should be documented.

1.7 Customer's source of fund

Brokers must obtain sufficient information to determine the expected source of funding for the account, particularly whether the client shall be receiving/ remitting funds in foreign currency.

1.8 Customer's receipts and payments

In addition to the requirements mentioned above, Brokers must ensure that all receipts and payments to the customers above the prescribed threshold must be through cross cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it becomes necessary for a broker to accept cash from a customer, reporting of such instances with rationale should be made immediately to the exchanges.

1.9 Current Policies and Procedures

- Staff personally visits the client,
- Assess the genuineness of given information and clients investment objectives, that has been briefly noted in the account opening form and communicate it to designated trader/manager
- Stocks recommendation are made in line with client's stated objectives
- Collects the following required documents for customer's identification for e.g.
 - a) Legible copy of CNIC
 - b) employment certificate / or visiting card
 - c) Copy of Passport, in-case of foreign individual
 - d) Legible CNIC of nominee
 - e) NTN certificate, if available
 - f) Individual Specimen Signature, if signature of customer differ from CNIC

For Corporate customer account:

- a) Certified True copy of Board resolution
 - b) Letter of Incorporation
 - c) Form A & 29
 - d) Article & Memorandum of association
 - e) List of Directors of the Company
 - f) Specimen Signatures of Authorized Signatory
 - g) Filled Know your customer (KYC) form
- Account Opening officer verify above documents and present it to COO/CEO for approval of customer trading account. In case if there is any non compliance, he/she immediately notify to trader/sales person.

Abbasi Securities (Private) Limited

Internal Policies – Know Your Customer (KYC) and Customer Due Diligence (CDD)

- After approval of trading account by CEO/COO, account opening forms get signed from Broker i.e. CEO.
- Clients source of funds is determined and clients are advised to make all payments through crossed cheques or bankers cheque made in favor of Abbasi Securities (Private) Limited and discourage clients to pay in cash. In a case, where it is necessary e.g. to clear clients small debit balances up to max. PKR 25,000/-, they are allowed to pay in cash. If client paid or deposited cash more than PKR 25,000 into ASL bank accounts for its trading account maintains purpose, then it will be immediately reported to KSE.
- ASL makes payment to clients through crossed cheques or banker's cheque made in the favor of customer only and doesn't pay client in cash.
- In case, client belongs to cities where ASL does not have a presence and it is not possible to meet client then additional steps are taken e.g.
 - Is client referred by an existing client?
 - What is the client's source of income and can it be verified?
 - Can we obtain independent reference about client?
 - How did the client hear about us?

2.1 Categorization of customers based on their associated risk

The Brokers must perform a risk assessment of all the existing and prospective customers on the basis of information obtained regarding their identity, nature of income, source of funding, location etc and based on the results of such assessment, categorize their customers among high risk, medium risk and low risk customers. Brokers should develop clear guidelines for identification of High Risk customers which include:

- a) non-resident customers;
- b) legal persons or arrangements including non-governmental organizations; (NGOs) / not-for-profit organizations (NPOs) and trusts / charities;
- c) customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries;
- d) Customers whose business or activities present a higher risk of money laundering such as cash based businesses;
- e) customers with links to offshore tax havens;
- f) high net worth customers with no clearly identifiable source of income;
- g) there is reason to believe that the customer has been refused brokerage services by another brokerage house;
- h) Non-face-to-face / on-line customers;
- i) establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
- j) Politically Exposed Persons (PEPs) or customers holding public or high profile positions

2.2 Politically exposed persons (PEPs)

(PEPs) are individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories

2.3 Identification of Money Laundering and terrorist financing

Broker should conduct a self assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented to it by virtue of its business model, types of customers and geographical placement.

2.4 Current Policies and Procedures

- At a time of opening of customer account, trader or sales person should made his/her professional judgment and categorize the customer in KYC form as high, medium or low risk. More specifically, the focus is on understanding the clients objectives and making an assessment of what types of shares would that client be interested in e.g. dividend paying shares etc. This information is communicated to the broker so that appropriate investment opportunity will be presented to the client.
- For ongoing customers' transactions, traders rely on their knowledge of the customer to make appropriate recommendations.

3.1 Enhanced Due Diligence

Brokers should apply Enhanced Due Diligence (EDD) when dealing with high-risk customers. Appropriate policies and procedures must be developed and put in place to ensure that activities and transactions of High-risk customers are adequately monitored and any unusual transactions are reported.

3.1.1

While dealing with the high-risk customers including the PEPs, the Brokers should:

- a) Obtain senior management approval for establishing business relationships with such customers. The same shall also apply in case of an existing customer which is classified as High-risk pursuant to these guidelines or which is subsequently classified as a result of ongoing due diligence;
- b) Take reasonable measures to establish the source of wealth and source of funds.

3.1.2

If the Broker is unable to comply with the above requirements, it should not open the account, or should terminate the business relationship, as the case may be and should submit a Suspicious Transaction Report.

3.2 Ongoing Due Diligence

3.2.1

CDD is not a one-time exercise. Brokers should ensure that on-going Due Diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with the Broker's knowledge of the customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.

3.2.2

Brokers shall ensure that the customer records are updated at regular intervals and sufficient information is obtained regarding any significant change in the customer profile.

3.3 Simplified Due Diligence

3.3.1

Brokers shall apply simplified or reduced CDD measures in the following circumstances:

- a) Risk of money laundering or terrorist financing is lower
- b) Information on the identity of the customer and the beneficial owner of a customer is publicly available
- c) Adequate checks and controls exist

3.3.2

Accordingly, following customers may be considered for simplified or reduced CDD:

- Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those controls
- Public companies that are subject to regulatory disclosure requirements
- Government administrations or enterprises

3.3.3

when opting for simplified or reduced due diligence, the FATF guidelines in this regard must be consulted. Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

3.4 Current Policies and Procedures

- All customers trades or transactions are strictly monitored by head of sales and if anything found suspicious it will directly reported to COO/CEO.

4.1 Monitoring of Clients transactions

Broker should set up a compliance function with suitable human resource and MIS reporting capabilities, enabling it to effectively monitor the clients' transactions and make timely reports.

4.2 Skills and experience of a person oversight compliance function

The head of compliance function must have skills and experience necessary for satisfactory performance of functions assigned. Head of Compliance must be independent and report directly to the Board of Directors.

4.3 Maintains of record of non compliance identified

The Compliance function shall ensure compliance with the requirements of these guidelines as well as other regulatory requirements applicable on the Broker under the relevant legal framework. A record should be maintained of all violation/ non-compliance identified and reported to the BOD and must be available for the inspection of Commission as and when required.

4.4 Current Policies and Procedures

- After market is close head of sales reviews all customers executed trade/or transactions on a daily basis and if error is found , it is reported to concerned staff who rectify the error and report to COO.

5.1 Data retention

Brokers shall maintain the relevant documents obtained through the application of KYC/CDD procedures, especially those pertaining to identification of the identity of a customer, account files and correspondence exchanged for a minimum period of five years.

5.2 Current Policies and Procedures

- All documents necessary for maintenance of customer's record are kept by Admin in charge.

6.1 Employees ongoing Training programs

The brokers should develop an ongoing employee training program to ensure that the employees understand their duties and are able to perform the same on a satisfactory level.

6.2 Staff recruitment and selection

Brokers shall develop and implement appropriate screening procedures to ensure high standards while hiring staff. However, the screening process must be an ongoing exercise and must be applied consistently to ensure that employees, particularly those working at sensitive positions, meet and maintain high standards of integrity and professionalism.

6.3 Provision of Clients information

Brokers must provide any information concerning its clients and their transactions to the exchanges, financial monitoring unit or the commission as and when required.

6.4 Current Policies and Procedures

- ASL at present arranges informal training sessions for its employees which are headed by COO.
- all staff appointed by ASL should meet company's recruitment and selection criteria which include:
 - a) Initial screening of candidate's cv
 - b) Basic general knowledge test
 - c) Initial interview
 - d) Assessment: whether a candidate fits in our organization and meet all compliance requirements to work in particular position
 - e) Final interview
 - f) Job references, if required
- HR department collect and keep all documentary evidences of candidate before giving appointment letter which includes all his/her educational and experience documents etc.
- ASL will provide any information concerning its clients and their transactions to any relevant authority after considering followings:
 - a) Upon request
 - b) Review clients confidentiality
 - c) Nature of information to be provided
 - d) Management and clients consent

7 Reporting of Suspicious transactions

Brokers must comply with the requirement of Anti money Laundering Act, 2010 as applicable on them, including the requirement to file suspicious transaction reports and any directives, circulars, guidelines issued in this regard by Federal Government, Financial monitoring and SECP.

7.1 Current Policies and Procedures

- Staff training session driven information relating to money laundering that management may have received from other organization.
- Staff is instructed to gain approval of transactions which appear too large/un usual for the client.
- Payment is only received from client's own bank account. In rare cases, payment is received from client's close relatives (wife, husband, and mother etc). This is restricted to only those clients which are well to the company.
- Payments to clients are only made through cross cheques in favor of his/her account title.