

ABM SECURITIES (PVT) LIMITED

AML/CFT POLICY & PROCEDURES

ANTI-MONEY LAUNDERING COMPLIANCE STATEMENT

1. Policy Statement

The ABM Securities (Pvt) Limited (ABM) is committed to fully comply with all applicable laws and regulations regarding anti-money laundering procedures. ABM has adopted and will enforce the provisions set forth in AML/CFT Regulations in order to prevent and detect money laundering, terrorist financing and other illegal activities.

If ABM, its personnel and/or premises are inadvertently used for money laundering or other

2. Objectives of ABM Securities (Pvt) Limited's Anti-Money Laundering/Counter Financing of Terrorism Policy and Procedures

- Comply with all AML/CFT Rules & Regulations of the jurisdictions it operates in;
- Appointment of a Compliance Officer who shall ensure adherence to the ABM's AML/CFT Policy and Procedures;
- Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which ABM or its employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activities;
- Require all Employees to attend anti-money laundering training sessions, so that all such Employees are aware of their responsibilities under RS'ls policies and procedures; and as affected by current developments with respect to anti-money laundering events.

3. What is Money Laundering?

Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activities are transformed into funds with an apparently legal source.

Money laundering has many destructive consequences both for society as a whole and for those entities involved in money laundering activities. With respect to society as whole, money laundering may provide resources for drug dealers, terrorists and other criminals to operate and expand their criminal activities.

4. Anti-Money Laundering Compliance Officer

The ABM has appointed a dedicated Compliance Officer to oversight the Compliance function who will be reporting to the Board of Directors of the ABM. Any Employee shall immediately notify the Compliance Officer if he/she suspects or has any reason to suspect that any potentially suspicious activity has occurred or will occur if a transaction is completed. Employees are encouraged to seek the assistance of the Compliance Officer with any questions or concerns they may have with respect to the ABM's AML/CFT Policy & Procedures.

Responsibilities of the Compliance Officer include the following:

- Review of Account Opening Forms and sign off from Compliance perspective
- Coordination and monitoring of ABM's day-to-day compliance with applicable Anti-Money Laundering Laws and Regulations and ABM's own AML/CFT Policy and Procedures;

5. Anti-Money Laundering Employee Training Program

As part of the ABM's anti-money laundering program, all Employees are expected to be fully aware of the ABM's AML/CFT policy and procedures.

Each Employee is required to read and comply with this Compliance policy and procedures, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands ABM's AML/CFT policy and procedures. Compliance Officer or the dedicated employee will attend all such awareness sessions or training sessions, arranged by SECP, PSX, etc. The knowledge so acquired will be shared at length, with all other colleagues.

6. Client Identification Procedures

6.1. General

ABM's AML/CFT policy and procedures are intended to ensure that due care will be exercised at the time of opening of the account and all the required identification details will be obtained and verified, which will include, also knowledge of the financial capacity of the prospective clients. It will be preferred that the new customer comes with the reference of either some existing client or some other trust worthy person. Prior to accepting funds from Clients, all reasonable and practical measures are taken to confirm the Clients' identities.

ABM may take assistance from the bank or other financial institutions for completing client identification process and bank verification will be mandatory.

These Client Identification Procedures are based on the premise that the ABM will accept funds from a new and existing Client only after:

- ABM has confirmed the Client's identity and that the Client is acting as a principal and not for the benefit of any third party.

As a reference tool, an Individual Client KYC Checklist is used. Employees are encouraged to provide the Compliance Officer with any revisions they consider appropriate. The Compliance Officer shall ensure that all documents are reviewed or checklists completed in Every Customer shall be identified for establishing business relationship. For this purpose, investors need to fill out the Standardized Account Opening Form.

6.2. Client Identification Procedures for Natural Persons

For Identity and due diligence purposes, at the minimum following information shall be obtained, verified and recorded on KYC/CDD form or account opening form:

- Full name as per Identity document of the Applicant
 - Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification
 - Residential Status, Nationality, Country of Residence
 - Details of Employer/Business
 - CNIC/NICOP/SNIC/POC/Passport Number
 - Existing Mailing and Permanent address
 - Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number and Email address
 - NTN and STN number
 - Nature and Type of Account
 - Details of Bank Account
 - Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s)
 - Source of Income, Gross Annual Income, Sources of Fund for Stock Market, Expected value of Investment
 - Knowledge of stock Market and Investment experience
 - Normal or expected mode of transaction
- Similarly, relevant details of the nominee, will be taken too.

Joint Accounts: In case of Joint account, the customer due diligence measures on all of the joint account holders shall be performed as if each of them were individual customers of the ABM.

In order to confirm the identity of the Client, copies of the following documents will be obtained and retained for ABM's record:

- Duly filled and signed Account Opening Form (AOF) by Title and Joint Account Holder(s).
- Bank Verification on AOF from the bank where Title Account Holder is maintaining a bank account.
- Physical presence of Title and Joint Account Holder(s) at ABM Office along

with valid original ID document.

- Attested Copies of valid ID document of Title and Joint Account Holder(s).
- Local Mobile Number and/or email address.
- Copy of Zakat Declaration (CZ-50) duly attested by notary public as per the prescribed format for Zakat exemption (Optional).
- For Non-Muslims, written request for Zakat non-applicability.
- Copy of NTN certificate, if NTN is provided in AOF.
- Copy of NICOP for non-resident Pakistanis
- Bank statement or utility bill; or other residential identifying information; if found necessary.
- Proof of Employment/ Business

If a customer has authorized another person, than the additional documentation are required. These include:

- Attested copies of ID document of Authorized person
 - CNIC/NICOP/Passport number
 - Contact Details and email address
 - Specimen Signature of the person so authorized.

The authorized person is only allow to issue instruction for buy or sale of securities on behalf of client and all payments or receipt of funds must be made to or from the client own accounts only.

6.3. Client Identification Procedures for Corporations, Partnerships, Trusts and Other Legal Entities

ABM shall take reasonable steps to ascertain satisfactory evidence of an entity Client's name and address, its authority to make the contemplated investment.

For Identity and due diligence purposes, at the minimum following information shall be obtained, verified and recorded on KYC/CDD form or account opening form:

- Full name as per Identity document
- Email, website and contact numbers
- Registered and mailing address
- NTN number and Sales Tax number
- Details of Contact Person and authorized person to operate the account
- Nature and Type of Account
- Details of Bank Account

- ▢ Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s)
- ▢ Financial and General information including Investment experience, Expected value of investment, recent change in ownership of the company, customer type,
- ▢ Normal or expected mode of transaction

ABM will obtain the following documents, as appropriate under the circumstances:

- ▢ Certified true copy of Board Resolution.
- ▢ Certified true copies of Constitutive Documents of the Applicant (Memorandum & Articles of Association, Act / Charter / Statute / By laws / Rules & Regulations, Certificate of Incorporation, Certificate of Commencement of Business, Prospectus for Modaraba, Relevant licenses and registration issued by Regulatory Bodies etc.)*
- ▢ List of Directors / Trustee (if applicable)*
- ▢ List of authorized signatories.
- ▢ List of Nominated persons allowed placing orders.
- ▢ Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Authorized Signatories.
- ▢ Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Contact Person.
- ▢ Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Witnesses.
- ▢ Certified copy of N.T.N. Certificate. (If exempted please provide Exemption Certificate). ▢ Latest Audited Accounts of the Company.

6.4. Approval

The account will only be processed for account opening after it has been authorized by Compliance officer and in case of High risk customer, by the senior management of ABM.

6.5. Verification Of Identity

The ABM shall verify identities of customers (Natural or Artificial persons) from NCS data base and retain on record copies of all reference documents used for identification and verification.

6.6. Timing of Verification

Verification of the identity of the customers shall be completed before business relations are established including verification of Universal Identification Number (UIN) from National clearing company of Pakistan limited (NCCPL) database.

6.7. Payment Mechanism

The ABM shall accept from the account Holder(s) payment through “ /C Payee Only” crossed cheque, bank drafts, pay orders or other crossed banking instruments in case of amounts in excess of Rs. 25,000/=. Electronic transfer of funds to the ABM through banks would be regarded as good as cheque. The ABM shall be responsible to provide the receipt to the Account Holder(s) in the name of Account Holder(s) duly signed by authorized agents / employee of the Broker and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The ABM shall immediately deposit in its bank accounts all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional Circumstances, where it becomes necessary for the ABM to accept cash in excess of Rs. 25,000/=: the ABM shall immediately report within one business day such instances with rationale thereof to the Stock Exchange in accordance with the mechanism prescribed by the Exchange.

The ABM shall make all the payments of Rs. 25,000/- and above to clients, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years.

ABM may accept initial deposit at the time of submission of necessary documents by their prospective customer’s subject to the following:

1. Initial deposit receipt will be issued after completing necessary due diligence including NCCPL verification.
2. The account numbers will be generated (NCCPL Client code and CDC Sub account number). ABM to obtain signatures of concerned Account Holders / Authorized Signatories as acknowledgement on the Posted Registration Detail Report generated from CDS.
3. The initial deposit will be credited to the customer’s account only.
4. In case, the business relationship needed to be closed due to unsatisfactory due diligence, the ABM shall guide the customers to visit the office to get refund of initial deposit through cheque.

6.8. Account Shall Not Open

Where CDD Measures are not completed

In case the ABM is not been able to satisfactorily completed required CDD measures, account shall not be opened or any service provided and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR.

Anonymous or Fictitious Account:

ABM shall not open or maintain anonymous account or accounts in the name of factitious persons.

Government Accounts:

Government Account shall not be opened in the personal names of the government officials.

Prescribed Individuals/Entities:

ABM shall not provide services to Prescribed Individuals, Groups and Entities declared/ listed by UNSC (United Nations Security Council) and/ or by OFAC (Office of Foreign Asset Control -USA) OR those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.

7. Risk Profiling Of Customers

All relationships shall be categorized with respect to their risk levels i.e. High, Medium and Low based on the risk profiling of customer (through KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

The approval for opening of PEP and Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Business Head) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. Customer KYC / CDD profile will be reviewed and/or updated on the basis of predefined frequency, in accordance with the risk profile of the customer, as per procedure defined in operational Manual.

- High Risk At least Once in a Year or One-off*
- Medium Risk At Least Once in 2 Years or One-off*
- Low Risk At least Once in 3 Years or One-off*

*In case of any material change in the relationship or deviation from customer profile, CDD will be conducted and customer profile will be updated immediately without lapse of above defined period.

The Company will not prefer to open such accounts.

7.1. High-Risk Clients

The Compliance Officer will provide and will continuously update a list of the types of Clients that ABM considers to be of 'high risk,' such that enhanced due diligence procedures are warranted compared to the routine Client Identification Procedures.

Following are the examples of Clients who pose a high money laundering risk:

1. Non-resident customers;
2. Legal persons or arrangements including non-governmental organizations; (NGOs)/ not-for-profit organizations (NPOs) and trusts / charities;
3. Customers belonging to countries where CDD/KYC and antimoney laundering regulations are lax or if funds originate or go to those countries;
4. Customers whose business or activities present a higher risk of money laundering such as cash based business;
5. Customers with links to offshore tax havens;
6. High net worth customers with no clearly identifiable source of income;
7. There is reason to believe that the customer has been refused brokerage services by another brokerage house;
8. Non-face-to face / on-line customers;
9. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
10. Politically Exposed Persons (PEPs) or customers holding public or high profile positions.

Politically Exposed Persons (PEPs)

These generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials; senior executives of State Corporations and their family members and close associates. The above definition is not intended to cover middle ranking / junior officials in above noted categories. However, prudence requires brokers to be careful while dealing with such customers

7.2. Enhanced Client Identification Procedures for 'High-Risk' Natural Persons

Enhanced Client Identification Procedures for 'high risk' natural persons as Clients include, but are not limited to, the following:

- Assessing the Client's business reputation.
- Considering the source of the Client's wealth:
- Reviewing generally available public information.

7.3. Enhanced Client Identification Procedures for 'High-Risk' Corporations, Partnerships, Trusts and Other legal Entities

Enhanced Client Identification Procedures for 'high risk' corporations, partnerships and other legal entities include, but are not limited to, the following:

- Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- Reviewing recent changes in the ownership or senior management of the Client;
- Conducting a visit to the Client's place of business and conducting a face-to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- Reviewing generally available public information.-

7.4. Simplified Due Diligence (SDD)

There might be circumstances where the risk of money laundering or financing of terrorism may be low as information on the identity of the customer and the beneficial ownership is publicly available and/or the turnover in the account is meager. In such circumstances, and provided there has been an adequate analysis of the risk, following SDD measures will be applied.

SDD measures shall include:

- Decreasing the frequency of customer identification updates;
- Reducing the degree of on-going monitoring and scrutinizing transactions based on a reasonable monetary threshold; and

SDD measures should not be considered in following situations:

- When there is a suspicion of money laundering or financing of terrorism;
- There are no exceptions in reporting suspicion to FMU within the provisions of AML Act.

8. General Reporting Procedures

- The Compliance Officer on behalf of the organization is nominated to receive disclosures under this regulation.

- Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to the Compliance Officer;
- Where a disclosure is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is available to ABM and determine whether it gives rise to suspicion: and
- Where the Compliance Officer determines in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority after obtaining an independent legal advice.

9. Other Offences - Failure to Report Offences

- Failure by an individual in the regulated sector to inform the Regulatory Authority or the ABM's Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering;
- Failure by Compliance Officers in the regulated sector to make the required report to Regulatory Authority as soon as practicable, if an internal report leads them to know or suspect that a person is engaged in money laundering.

10. Client Records Retention

Copies of all documents related to ABM's Client Identification Procedures will be retained for an appropriate period of time and, at a minimum, the period of time required by applicable law or regulation.

The documents ABM retains are copies of documents reviewed in connection with Client Identification Procedures or enhanced due diligence procedures, Client identification checklists, if any, or similar due diligence documentation, and any other documents required to be retained by applicable anti-money laundering legislation.

ABM will retain documents for so long as a Client is a client of ABM and for a minimum of five years after this relationship ends.

ABM shall, however, retain those records for longer period where transactions, customers or accounts involved litigation or it is required by court or other competent Authority.

ABM shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including Law enforcement agencies and FMU for supply of information and records as per law.

11. Review of Existing Client Base and Detection of Suspicious Activity

The ABM shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk but without compromise on identity and verification requirements.

The Compliance Officer shall coordinate a periodic review of the ABM's existing Client list, and ensure the adequacy of due diligence performed on existing Clients. In addition, ABM's policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious,

ABM requires any Employee who detects suspicious activity or has reason to believe that suspicious activity is taking place immediately to inform his or her immediate supervisor as well as the Compliance Officer.

Under no circumstances may an Employee discuss the suspicious activity, or the fact that it has been referred to the Compliance Officer, with the Client concerned (Required by Law).

The Compliance Officer shall determine in consultation with the higher management whether to report to appropriate law enforcement officials (i.e. FMU-Financial Monitoring Unit) any suspicious activity of which he becomes aware within 7 working days of knowing the suspicious activity (Required by Law).

12.1. Where CDD Measures are not completed

If the CDD of an existing customer is found unsatisfactory, the relationship should be treated as High Risk and reporting of suspicious transaction be considered as per law and circumstances of the case.

For existing customers who opened accounts with old CNICs or old account opening form, the ABM shall ensure that same shall be present in ABM's records. The ABM may **INACTIVE** the accounts without CNIC and account opening form (after serving one-month prior notice) until the subject regulatory requirement is fulfilled.

On-going due Diligence

Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. In order to guard against misuse of ABM channel against criminal transactions, one needs to be vigilant at all the times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the customer's profile, risk category, historical pattern of the transactions and their historic funding source.

12.2. Recognizing & Reporting of STRs (Suspicious Transactions)

STRs include detailed information about transactions that are or appear to be suspicious in terms of AML Act 2010. ABM Securities (Pvt) Ltd. shall comply with the provisions of AML Act, rules and regulations issued there under for reporting of suspicious transactions in the context of money laundering or financing of terrorism.

In pursuance to the above, the compliance officer should review and monitor the transactions of customer`s accounts on an ongoing basis in accordance to the policy.

While reviewing transactions, the compliance officer should pay special attention to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

The transactions, which are out of character or inconsistent with the history, pattern, or normal operation of the account including through heavy deposits, withdrawals and transfers, etc should be viewed with the suspicion, and be properly investigated.

If Compliance officer decides to report any transaction/ account to the FMU as “Suspicious” based on the justifiable grounds, the same should be reported to FMU under intimation to the CEO/ Chairman of the board.

All the employees of ABM Securities (Pvt) Ltd. are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

13. Registration Details Update

In accordance to the Directives under the PSX Rule book, CDC Regulations an Updation in Registration detail of any client can only be done after obtaining of the below mentioned document.

□ Contact Details Update

For change of contact details i.e. contact number, local mobile number, email address etc. duly signed letter or Updation Form or by an email sent through registered email address is required as per the operating instructions. However,

□ Zakat Status Update

To update Zakat status as Zakat non-payable, letter or Updation Form along with notarized copy of Zakat Declaration is required.

□ Dividend Mandate Update

Dividend Mandate i.e. bank details for receiving dividend warrant directly into bank account is added/updated after getting IBAN number.

□ NTN Update

NTN is updated either upon receiving duly signed letter/Updation Form or by an email sent through registered email address.

□ Signature Update

Physical presence is required along with original CNIC to update the record.

14. Account Closing

Duly filled and signed Account Closing Request / Form from customer. Further account will be closed after approval from NCCPL.

15. Employee Due Diligence & Screening

In order to ensure that unscrupulous elements do not become employees/agents, appropriate screening procedures should be followed to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism To complete the process the HR department must issue confidential letters to the last employer and employee provided reference.

Employee reference must be non-blood relatives and preferred to be from the employees of past employers.

16. Regular Review/Audit of the Manual

A regular review of the program should be undertaken to ensure that it is functioning as designed. Such a review could be performed by internal resources.

If and when regulations are amended concerning reporting of suspicious activities, ABM will amend this AML/CFT Policy & Procedures to comply with those regulations.

17. Policy Review Period

The AML/CFT Policy & Procedures will be reviewed on as and when required basis.