



Amaan Capital (Private) Limited Policies

FY 2023 -2024

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AMAAN CAPITAL (PVT.) LTD | 1 , QASR-E-ZAINAB, CLUB ROAD, KARACHI, PAKISTAN

AMAAN CAPITAL (PRIVATE) LIMITED COMPLIANCE POLICIES

Policies

- 1) Know Your Customer (KYC)
- 2) Customer Due Diligence (CDD)
- 3) Anti Money Laundering (AML)
- 4) Combating Financing Of Terrorism (CFT)

Approved by

Board of Directors (Amaan Capital (Private) Limited)

Date of Approval

30 November, 2023

Effective Date

30 November, 2023

1. INTRODUCTION

1.1 This document covers Amaan Capital (Private) Limited, policies, procedures and practices in relation to Know Your Customer (KYC), Customer Due Diligence (CDD), Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT).

2. OBJECTIVE

2.1 To protect itself from the increasing risk of organised criminal activity, money laundering, and terrorist financing. Further,

2.2 To perform overall risk assessment of the Company in relation to the Money Laundering (ML)/ Terrorist Financing (TF).

2.3 To streamline procedures of Amaan Capital (Private) Limited and practices in line with the following:

- Securities Act, 2015 and related regulations issued thereunder,
- Anti Money Laundering Act, 2010, and
- Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations 2018
- International best practices recommended by the Financial Action Task Force (FATF) published in February 2012.
[\(\[http://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf\]\(http://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf\)\)](http://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)
- Guidelines on SECP (AML & CFT) Regulations, 2018 issued by SECP in September 2018

2.4 To develop and implement policies and procedures that will help discourage money laundering and to monitor and remain alert regarding suspicious transactions and /or parties who may be attempting to launder money.

3. SCOPE

3.1 This policy is applicable to all operations of Amaan Capital (Private) Limited in order to ensure compliance with the Regulations of the country on KYC, CDD AML/CFT or that of the SECP, and recommendations of FATF whichever is more exhaustive.

4. DEFINITIONS

4.1 **Know Your Customer (KYC)** is the process of a business identifying and verifying the identity of its customers and ascertaining relevant information required for doing business with them. KYC involves:

- Seeking evidence of identity and address from the customer and independently confirming that evidence at the start of a relationship with Amaan Capital (Private) Limited; and
- Seeking information regarding the sources of income and nature of business etc. of the customer.

4.2 **Customer Due Diligence (CDD)** information comprises the facts about a customer that should enable an organization to assess the extent to which the customer exposes it to a range of risks. These risks include money laundering and terrorist financing.

4.3 **Customer** is defined as a person or an entity that applies for or maintains a trading account with Amaan Capital (Private) Limited.

4.4 All specific terms used in this policy will have the same meaning as defined in the Anti Money Laundering Act, 2010, and the Securities and Exchange Commission of Pakistan (SECP) (Anti Money Laundering and Countering Financing of Terrorism) Regulations 2018.

5. ELEMENTS OF THE POLICY

The following elements have been incorporated into the KYC / CDD Policy:

- A. Entity Risk Assessment in relation to ML/TF
- B. Customer Risk
 - B1. Customer identification
 - B2. Risk Assessment of Customer
 - B3. High Risk Classification Factors

- B4. Low Risk Classification Factors
- C. On-going Diligence
- D. Compliance function
- E. Monitoring and Reporting
- F. Data Retention
- G. Training and Employee screening
- H. Audit Function

A. ENTITY RISK ASSESSMENT IN RELATION TO ML/TF

A1 On an annual basis, Amaan Capital (Private) Limited shall undertake a risk assessment exercise to identify, assess and understand its money laundering and terrorism financing risks about

- Its customers
- The jurisdictions or countries its customers are from or in
- The jurisdictions or countries in which the company has operations or dealings in
- The product, services, transactions and delivery channels of the company

A2 Following steps will be undertaken in the process of the entity risk assessment:

- Documentation of the areas and factors which may create related risk
- Considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied
- Defining the company's risk tolerance and capacity to effectively manage the risks taken
- Identifying the likelihood of occurring (high, medium, low) of the risks highlighted Keeping the risk assessment up-to-date and being alert to any event/changes in the regulatory framework and other factors.
- Categorizing the overall entity level risk as high, medium or low based on the result of risk assessment
- Having appropriate mechanisms to provide its risk assessment information to the Commission

A3 Since the nature of the TF differs from that of ML, the risk assessment must also include an analysis of the vulnerabilities of TF. Since the funds used for TF may emanate from legal sources, the nature of the sources may vary when the source of the TF originates from criminal activities, the risk assessment related to ML is also applicable to TF.

A4 The document depicting the overall entity level risk will be prepared by the Compliance Department and will be reviewed by the CEO. The same document will also be sent to Board of Directors along with the Monthly Compliance Report at year end.

A5 Matters to Consider in Identification, Assessment and Understanding Risks

A5.1 Amaan Capital (Private) Limited should understand, identify and assess the inherent ML/TF risks posed by its customer base, products and services offered, delivery channels and the jurisdictions within which it or its customers do business and any other relevant risk category. The risk assessment policies and procedures adopted by Amaan Capital (Private) Limited should be appropriate to their size, nature and complexity.

A5.2 ML/TF risks may be measured using a number of risk categories and for each category applying various factors to assess the extent of the risk for determining the overall risk classification (e.g. high, medium or low). Amaan Capital (Private) Limited should make its own determination as to the risk weights to be given to the individual risk factors or combination of risk factors. When weighing risk factors, Amaan Capital (Private) Limited should take into consideration the relevance of different risk factors in the context of a particular customer relationship.

A5.3 In the second stage, the ML/TF risks that can be encountered by Amaan Capital (Private) Limited need to be assessed and analyzed as a combination of the likelihood that the risks will occur and the impact of cost or damages if the risks occur. This impact can consist of financial loss to Amaan Capital (Private) Limited from the crime, monetary penalties from regulatory authorities or the process of enhanced mitigation measures. It can also include reputational damages to the business or the entity itself. The analysis of certain risk categories and their combination is specific to each business segment so the conclusion on the total risk level must be based on the relevant information available.

A5.4 For the analysis, Amaan Capital (Private) Limited should identify the likelihood that these types or categories of risk will be misused for ML and/or for TF purposes. This likelihood is for instance high, if it can occur several times per year, medium if it can occur once per year and low if it is unlikely, but not possible. In assessing the impact, Amaan Capital (Private) Limited can, for instance, look at the financial damage by the crime itself or from regulatory sanctions or reputational damages that can be caused. The impact can vary from minor if that is only short-term or there are low-cost consequences, to very major,

when they are found to be very costly inducing long-term consequences that affect the proper functioning of the securities broker business.

A5.5 Risk mitigation and Applying Risk-based Approach:

The risk mitigation tools to be deployed by Amaan Capital (Private) Limited shall include, but not limited to:

- Development and implementation of policies, procedures and controls which are approved by its Board of directors, which enable effective management and mitigation of risks that are identified in the risk assessment of ML/TF or notified to the commission Monitoring of its implementation phase.
- Enhanced measures for higher risk Independent audit function to test the system.
- MIS to be built for enhancement of compliance of AML.
- Regulations and AML policy to be incorporated in the Internal Audit Plan.

A6 New Products, Practices and Technologies:

A6.1 Identify and assess the money laundering and terrorism financing risks that may arise in relation to:

- the development of new products and new business practices, including new delivery mechanisms; and
- the use of new or developing technologies for both new and pre-existing products;

A6.2 Undertake the risk assessments, prior to the launch or use of such products, practices and technologies, and shall take appropriate measures to manage and mitigate the risks.

A6.3 In complying with the requirements of clauses A6.1 and A6.3, special attention is needed to pay to any new products and new business practices, including new delivery mechanisms; and new or developing technologies that favor anonymity.

A7 Format for Amaan Capital (Private) Limited's risk assessment as provided in SECP AML/CFT Guidelines detailed in **Annexure – I** will be followed.

A8 The management should assess the adequacy of systems, controls, policies and procedures relating to AML / CFT through a Compliance Assessment Checklist detailed in **Annexure – II**.

A9 Some of the risk mitigation measures that Amaan Capital (Private) Limited may consider include:

- Determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by particular customers; Setting transaction limits for higher-risk customers or products;
- Requiring senior management approval for higher-risk transactions, including those involving PEPs;
- Determining the circumstances under which they may refuse to take on or terminate/cease high risk customers/products or services;
- Determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing a relationship with high risk customers such as PEPs).

A10 Evaluating Residual Risk and Comparing with the Risk Tolerance

A10.1 After establishing the risk mitigation measures, Amaan Capital (Private) Limited should evaluate their residual risk, and the risk remaining after taking into consideration the risk mitigation measures and controls. Residual risks should be in line with Amaan Capital (Private) Limited's overall risk tolerance.

A10.2 Where Amaan Capital (Private) Limited finds that the level of residual risk exceeds its risk tolerance or that its risk mitigation measures do not adequately mitigate high-risks, Amaan Capital (Private) Limited should enhance the risk mitigation measures that are in place.

B. MANAGING CUSTOMER RISK

B1 Customer Identification:

B1.1 No account shall be opened in the name of a person who fails to disclose his/her true identity or fails to provide a valid identity document. To authenticate the identity of a new customer, the following steps are and should be taken:

- A valid attested copy of CNIC / NICOP / Passport shall be obtained before account opening. In case of a person other than an individual, the same will be obtained of Directors / Trustees / Authorized Person / Partners in addition to the incorporation document.
- Identity mentioned on CNIC should be cross verified with NADRA Verisys.

- Account opening form should be signed in physical presence (including video chat through Skype and other social media platforms).
- The signature should match with the signature as per CNIC. In case of a different signature, an indemnity bond will be provided by the customer of stamp duty of Rs. 100 or above
- Source of income shall be essentially disclosed by the customer. In case the source of the customer's income is business/employment, the name of the business/employer shall also be disclosed.
- All prospective customers must be seen either face to face by the representative of Amaan Capital (Private) Limited representative or on a video call through social media like Skype, WhatsApp etc. and details verified over a recorded call on the registered phone number.
- If a customer is acting on behalf of another person then the identity of that person should be ascertained and relevant documents of that person should also be obtained.

B1.2 For non-individual customers (e.g. companies, pension funds, government-owned entities, non-profit organizations, foreign companies/ organizations) additional care has to be taken to establish the ownership and control structure of such an organization and (i.e. the person(s)/ultimate beneficial owners) who actually owns the organization and who manages it. It should be ensured from the document that the person who represents himself as an authorized signatory with powers to open and operate the brokerage account is actually authorized by the organization.

B1.3 Accounts of Institutions/ organizations / corporate bodies shall not be opened in the name of employee(s)/official(s). Because of the sensitive nature of public sector (government) entities and the risk of potential conflict of interest, it is critical for Amaan Capital (Private) Limited and its representatives to ensure that accounts of Government Institutions are not opened in the individual name of any employee/official. Any such account, which is to be operated by an officer of a government owned entity, 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.

B1.4 Purpose of investment and Risk appetite

B1.4.1 When an individual or an organization/institution opens a brokerage account with Amaan Capital (Private) Limited, it is important to find out and document in broad terms what the customer intends to do. For example, are there any specific sectors or stocks that the customer does not wish to participate in; is

the customer intending to invest for short-term only or is the customer intending to invest for the longer term; will the investment be only in liquid scrips or any scrip; or any other special needs or requirements of the customer. This, along with the customer's other information such as age, gender, occupation, knowledge of the market, etc. will help Amaan Capital (Private) Limited develop a sense of the risk taking capacity and profile of the customer and thus guide the customer more effectively. At the same time, it will also help Amaan Capital (Private) Limited understand whether the customer should be classified as a low risk or a high risk customer from the KYC/CDD perspective. For example, a domestic customer working in a company with regular income would be low risk category; on the other hand, a government employee may be in a higher risk category because of the potential for conflict of interest; or a foreign organization having foreign currency sources would be in high risk category requiring more careful identification procedure and close monitoring of account operations.

B1.4.2 In the above context, Amaan Capital (Private) Limited has to carefully determine the source of funding especially if the customer is expected to receive/send funds in foreign currency.

B1.5 All receipts/payments above Rs 25,000/- are made through cross-cheques, bank drafts, pay orders or other crossed banking instruments. Where any cash is accepted from a customer in an exceptional circumstance only, it has to be immediately reported to the Exchange with clear reasons as to why the cash receipt was accepted by Amaan Capital (Private) Limited. ***A written request shall be obtained from customers highlighting the reason for cash deposits above the prescribed limit.***

B1.6 In general, the physical presence of the account opener/authorized representative is necessary at the time of opening a brokerage account. In the case of non-resident/overseas customers or customers in other cities where Amaan Capital (Private) Limited does not have a branch/office, Amaan Capital (Private) Limited shall ensure that the identity verification process is completed through alternative means. Alternative means include communicating through video chat via Skype with instructions to the customer to show the original CNIC.

B1.7 Amaan Capital (Private) Limited shall obtain such documents from different types of customers as provided in

Annexure - III.

B1.8 The list of refused customers must be maintained and apply CDD requirements to existing customers based on trading volume. The materiality must be based on the trading volume.

B1.9 Sanctions Compliance

B1.9.1 The Regulations require the securities broker not to form business relationships with the individuals/entities and their associates that are either, sanctioned under the United Nations Security Council (UNSC) Resolutions adopted by Pakistan or proscribed under the AntiTerrorism Act, 1997.

B1.9.2 The UNSC Sanctions Committee, maintains the consolidated list of individuals and entities subject to the sanctions covering assets freeze, travel ban and arms embargo set out in the UNSC Resolution 1267 (1999) and other subsequent resolutions, concerning ISIL (Daesh)/ Al-Qaida and Taliban and their associated individuals.

B1.9.3 The Government of Pakistan publishes Statutory Regulatory Orders (SROs) under the United Nations (Security Council) Act, 1948 in the official Gazettes to give effect to the decisions of the UNSC Sanctions Committee and implement UNSC sanction measures in Pakistan. The regularly updated consolidated lists are available on the UN Sanctions Committee's website, at the following links:

- www.un.org/sc/committees/1267/aq_sanctions_list.shtml
- <https://www.un.org/sc/suborg/en/sanctions/1988/materials>
- <https://www.un.org/sc/suborg/en/sanctions/1718/materials>
- <http://www.un.org/en/sc/2231/list.shtml>
- <https://www.un.org/sc/suborg/en/sanctions/1718/prohibited-items>

B1.9.4 The Ministry of Interior issues Notifications of proscribed individuals /entities pursuant to the Anti-Terrorism Act, 1997, to implement sanction measures under UNSCR 1373(2001), and the regularly updated consolidated list is available at the National Counter Terrorism Authority's website, at the following links:

- <http://nacta.gov.pk/proscribed-organizations/>
- <https://nfs.punjab.gov.pk/>
- <http://www.fia.gov.pk/ur/redbooktriff.pdf>

B1.9.5 Amaan Capital (Private) Limited shall make its sanctions compliance program an integral part of its overall AML/CFT compliance program and accordingly should have procedures, systems and controls

about sanctions compliance. Amaan Capital (Private) Limited shall provide adequate sanctions related training to its staff.

B1.9.6 When conducting risk assessments, Amaan Capital (Private) Limited shall take into account any sanctions that may apply (to customers or countries).

B1.9.7 Amaan Capital (Private) Limited shall screen customers, beneficial owners, transactions, and other relevant parties to determine whether they are conducting or may conduct business involving any sanctioned person or person associated with a sanctioned person/country. In the event of updates to the relevant sanctions lists, Amaan Capital (Private) Limited shall conduct a fortnightly screening of all existing customers as part of ongoing monitoring of the lists of UNSC/NACTA/FIA Redbook.

B1.9.8 Where there is a true match or suspicion, Amaan Capital (Private) Limited shall take steps that are required to comply with the sanctions obligations including freeze without delay and without prior notice, the funds or other assets of designated persons and entities and reporting to the Commission, if they discover a relationship that contravenes the UNSCR sanction or a proscription.

B1.9.9 The obligations/ prohibitions regarding proscribed entities and persons mentioned in the above lists are applicable, on an ongoing basis, to proscribed/ designated entities and persons or to those who are known for their association with such entities and persons, whether under the proscribed/ designated name or with a different name.

B1.9.10 Amaan Capital (Private) Limited shall document and record all the actions that have been taken to comply with the sanctions regime, and the rationale for each such action.

B1.9.11 Amaan Capital (Private) Limited is expected to keep track of all the applicable sanctions, and where the sanction lists are updated, shall ensure that existing customers are not listed.

B1.9.12 In case there is not a 100% match but sufficient grounds of suspicion that the customer/ funds belong to a sanctioned entity/ individual, Amaan Capital (Private) Limited may consider raising an STR to FMU.

B1.9.13 Amaan Capital (Private) Limited shall scan its customer databases and their Beneficial Owners /associates for any matches with the stated designated/proscribed person(s)/entity(ies) on the receipt of notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or

intimation from National Counter Terrorism Authority/Law Enforcement Agencies/ Home Departments of Provinces/Ministry of Interior regarding updates in list of proscribed persons under the Anti- Terrorism Act, 1997. Compliance reports on statutory regulatory orders shall be submitted to the Commission within three days of receiving the same through the SECP E-services portal.

B2 Risk Assessment of Customer

B2.1 The assessment and categorization of customers as low, medium or high risk profile shall be done by Amaan Capital (Private) Limited based on the information obtained at the time of brokerage account opening and based on duly filled KYC/CDD Checklist (**Annexure – IV**). The Risk profile shall be updated based on information obtained during the relationship and doing business with the customer. It should be based on the customer's identity, nature of income, source of funding, location/domicile of customer, etc.

B2.2 Amaan Capital (Private) Limited should verify the identity of the customer and beneficial owner before or during the account opening process or may complete further documentation after the opening of the account provided that:

- The completion of documentation occurs as soon as reasonably practicable but not later than 10 working days.
- The ML/TF risks are effectively managed

B3 High-Risk Classification Factors

B3.1 Customer risk factors:

B3.1.1 Amaan Capital (Private) Limited will describe all types or categories of customers that it provides business to and should estimate the likelihood that these types or categories of customers will misuse Amaan Capital (Private) Limited for ML or TF, and the consequent impact if indeed that occurs. Risk factors that may be relevant when considering the risk associated with a customer or a customer's beneficial owner's business include:

- a) The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between Amaan Capital (Private) Limited and the customer).
- b) Non-resident customers
- c) Legal persons or arrangements

- d) Companies that have nominee shareholders
- e) Cash intensive Business
- f) The ownership structure of the customer appears unusual or excessively complex given the nature of the customer's business such as having many layers of shares registered in the name of other legal persons; (as per available information)
- g) Politically Exposed Persons (PEPs)
- h) Shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- i) Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets.
- j) The requested/applied quantum of business does not match the profile/particulars of the customer

B3.2 Country or geographic risk factors:

B3.2.1 Country or geographical risk may arise because of the location of a customer, the origin of a destination of transactions of the customer, but also because of the business activities of Amaan Capital (Private) Limited itself, its location and the location of its branches. Country or geographical risk, combined with other risk categories, provides useful information on potential exposure to ML/TF. The factors that may indicate a high risk are as follows:

- a) Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports by international bodies such as the FATF, as not having adequate AML/CFT systems.
- b) Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations (UN).
- c) Countries identified by credible sources as having significant levels of corruption or other criminal activity.
- d) Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.
- e) Jurisdictions identified by SECP in the National Risk Assessment 2019 as high risk jurisdictions for the threat of Money Laundering and Terrorist Financing subject to the judgment of Amaan Capital (Private) Limited and the validity of documents obtained from the customer of profile and source of income.

B3.3 Product, service, transaction or delivery channel risk factors:

B3.3.1 A comprehensive ML/TF risk assessment must take into account the potential risks arising from the products, services, and transactions that Amaan Capital (Private) Limited offers to its customers and the way these products and services are delivered. In identifying the risks of products, services, and transactions, the following factors should be considered:

- a) Anonymous transactions (which may include cash and accordingly reported to PSX as per PSX Rule Book).
- b) Non-face-to-face business relationships or transactions.
- c) Payments received from unknown or un-associated third parties. (and accordingly returned to the original payer).
- d) The net investment of the customer in a month exceeds the threshold as per the internal assessment of Amaan Capital (Private) Limited which does not match the customer profile and requires further questioning and EDD from the customer.
- e) International transactions, or involve high trading volumes of currency (or currency equivalent) transactions with individual customer / legal arrangements not subject to regulatory requirements relating to AML / CFT.
- f) One-off transactions with a new customer exceeding the threshold.

B4 Low Risk Classification Factors

B4.1 Customer risk factors:

B4.1.1 A customer that satisfies the requirements under regulation 11 (2) (a) and (b) of the SECP AML/CFT Regulations which are:

- Securities Broker, Commodities Broker, Insurers, Takaful Operators, NBFC, Modarabas and Banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements.
- Public listed companies

B4.2 Product, service, transaction or delivery channel risk factors:

B4.2.1 The product, service, transaction or delivery channel that satisfies the requirement under regulation 11(2) (c) to (g) of the SECP AML/CFT Regulations including pension schemes and financial product or services that provide appropriately defined and limited service to certain type of customers, to increase access for financial inclusion purpose.

B4.3 Country risk factors:

- a) Countries identified by credible sources, such as mutual evaluation or detailed assessment reports, as having effective AML/CFT systems.
- b) Countries identified by credible sources as having a low level of corruption or other criminal activity.

B4.4 Amaan Capital (Private) Limited shall consider updating customer CDD records as a part of its periodic reviews (within the timeframes set by Amaan Capital (Private) Limited based on the level of risk posed by the customer) or on the occurrence of a triggering event, whichever is earlier. Examples of triggering events include:

- 1) Material changes to the customer risk profile or changes to the way that the account usually operates;
- 2) Where it comes to the attention of Amaan Capital (Private) Limited that it lacks sufficient or significant information on that particular customer;
- 3) Where a significant transaction takes place;
- 4) Where there is a significant change in customer documentation standards;
- 5) Significant changes in the business relationship.

B4.4.1 Examples of the above circumstances include:

- 1) New products or services being entered into,
- 2) A significant increase in a customer's salary being deposited,
- 3) The stated turnover or activity of a corporate customer increases,
- 4) A person has just been designated as a PEP,
- 5) The nature, volume or size of transactions changes.

B4.5 Amaan Capital (Private) Limited should be vigilant for any significant changes or inconsistencies in the pattern of transactions. Inconsistency is measured against the stated original purpose of the accounts. Possible areas to monitor could be:

- 1) Transaction type
- 2) Frequency
- 3) Amount
- 4) Geographical origin/destination
- 5) Account signatories

C. ON-GOING DUE DILIGENCE

C1 It is important for Amaan Capital (Private) Limited and its employees to realize that Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. In order to guard against misuse of its good offices against criminal transactions, Amaan Capital (Private) Limited need to be vigilant at all times and keep monitoring the transactions of its customers to ensure that the transactions executed in any particular account are within the understanding of Amaan Capital (Private) Limited in terms of the customer's profile, risk profile, source of funds, and historical pattern of the transactions and their historic funding source. On-going Due Diligence can be classified into Simplified Due Diligence and Enhanced Due Diligence based on risk categorization assigned at the time of KYC.

C2 In the above context, Amaan Capital (Private) Limited should keep all customer records updated and should have a practice of assessing any change in customer profile regularly, which change should be documented and sufficient information should be obtained regarding such change.

C3 Monitoring of accounts/transactions on an ongoing basis to ensure that the transactions being conducted are consistent with Amaan Capital (Private) Limited's knowledge of the customer, the customer's business and risk profile, including, the source of funds and, updating records and data/information to take prompt action when there is material departure from usual and expected activity through regular matching with information.

C4 It should be noted that this exercise of categorizing customers in Low, Medium, High Risk categories applies to all customers, including existing customers based on the materiality of trading volume, Thus, once the broker has carried out the above exercise if an existing customer falls into the

High Risk Category, the above requirements for monitoring and reporting suspicious transactions and senior management approval for continuing with the customer will also apply to such customer(s).

C5 SIMPLIFIED DUE DILIGENCE

C5.1 The decision to categorize the customer as low risk should be justified through the KYC Checklist.

In addition to cases previously discussed in A3 above, low risk cases may include but are not limited to the following:

- Securities Broker, Commodities Broker, Insurers, Takaful Operators, NBFC, Modarabas and Banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements.
- Public listed companies
- Financial products or services that provide appropriately defined and limited service to certain types of customers, to increase access for financial inclusion purposes

C5.2 Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

C5.3 Simplified Due Diligence measures are limited to the following-

- Reducing the frequency of customer identification updates;
- Reducing the degree of ongoing monitoring and scrutinizing transactions based on a reasonable monetary threshold; and
- Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature & from the type of transaction or business relationship established:

C5.4 Provided that Simplified CDD measures are not acceptable whenever there is a suspicion of money laundering or terrorist financing, or where specific higher-risk scenarios apply.

C6 ENHANCED DUE DILIGENCE (EDD)

C6.1 Once a customer has been categorized as High Risk, it is necessary for Amaan Capital (Private) Limited to have EDD when dealing with such a customer. Policies and procedures should be put in place by the Risk Department so that activities and transactions of High Risk customers are monitored and any unusual transactions are reported in a Suspicious Transaction Report (STR).

C6.2 The activities/customers which create a 'red flag' on the customer are attached as **Annexure – V**.

C6.3 EDD measures include but are not limited to the following:

- obtain approval from senior management (CEO / COO) to open/continue accounts with high risk customers
- Ascertain the source of wealth and/or funds through appropriate means including initial documentation for the source of income, publicly available information such as companies' website, professional websites, inquiry and subsequent documentation. Conduct enhanced monitoring of trading and fund movement through a properly designed MIS enabling.
- Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.).
- Updating more regularly the identification data of applicant/customer and beneficial owner.
- Obtaining additional information on the intended nature of the business relationship.
- Obtaining additional information on the source of funds or source of wealth of the applicant/customer.
- Obtaining additional information on the reasons for intended or performed transactions.
- Obtaining the approval of senior management to commence or continue the business relationship.
- Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

C6.4 “Politically Exposed Persons” (PEPs)

C6.4.1 PEPs also fall under High Risk Category. These 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. These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and

monitoring their account activity. The Enhanced Due Diligence must be performed to mitigate such risks.

The controls for PEP include:

- Training of front office staff to remain alert on knowledge which may lead to believe the customer as PEP while opening a new account as well as working with existing customers
- Continuous monitoring of current occupation of customers by traders and other staff
- Appropriate risk management systems to determine whether the customer is a politically exposed person;
- Senior management approval for establishing business relationships with such customers;
- Reasonable measures to establish the source of wealth and source of funds; and
- Enhanced ongoing monitoring of the business relationship.

The other red flags that Amaan Capital (Private) Limited shall consider include (in addition to the above and the red flags that they consider for other applicants):

- The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;
- Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;
- A PEP uses multiple bank accounts for no apparent commercial or other reason;
- The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.

D. COMPLIANCE FUNCTION

D1 To achieve KYC/CDD, two key elements have to be instituted at Amaan Capital (Private) Limited's end;

- a) Compliance Function with suitable human resource
- b) Information system capable of effective and robust Reporting capability

D2 The person responsible for overseeing compliance should be a management level officer and should have sufficient skills and experience to effectively perform the compliance function. The Head of Compliance should report to the Board of Directors / Audit Committee of Amaan Capital (Private) Limited.

D3 It is the responsibility of the compliance function to ensure that KYC/CDD policy is being complied with as well as with other regulatory requirements. This includes maintaining the record of violations / non-compliance identified which has to be reported to the Board of Directors. Any such record has to be available for inspection by the Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX) as and when required. The Compliance function should ensure:

- Amaan Capital (Private) Limited's effective compliance with the relevant provisions of these Regulations, the AML Act, the Anti-Money Laundering Rules, 2008, the Anti-Money Laundering Regulations, 2015 and other directions and guidelines issued under the aforementioned regulations and laws by SECP, PSX & FATF, as amended from time to time;
- Ensuring that the internal policies, procedures and controls for the prevention of ML/TF are approved by the board of directors of Amaan Capital (Private) Limited and are effectively implemented;
- Monitoring, reviewing and updating AML/CFT policies and procedures, of Amaan Capital (Private) Limited;
- Assisting in compliance with other departments and branches of Amaan Capital (Private) Limited;
- Timely submission of accurate data/ returns as required under the applicable laws
- Monitoring and timely reporting of Suspicious and Currency Transactions to FMU.

E. MONITORING AND REPORTING

E1 All business relationships with customers shall be monitored on an ongoing basis to ensure that the transactions are consistent with Amaan Capital (Private) Limited's knowledge of the customer, its business and risk profile and where appropriate, the sources of funds.

E2 Amaan Capital (Private) Limited shall obtain information and examine, as far as possible the background and purpose of all complex and unusual transactions, which have no apparent economic or visible lawful purpose and the background and purpose of these transactions, shall be documented with a view of making this information available to relevant competent authorities when required.

E3 Amaan Capital (Private) Limited shall periodically review the adequacy of customer information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for high risk categories of customers. The review period should be yearly and procedures should include a review of the expiry of identity, customer communication with the salesperson, and being alert for any information related to changes in the source of income and/or funds.

E4 As per Anti-Money Laundering Act, 2010, Suspicious Transaction Reporting (STR) is required to be filed for transactions when Amaan Capital (Private) Limited knows, suspects, or has reason to suspect that the transaction or a pattern of transaction of which the transaction is a part:

- Involves funds derived from illegal activities or is intended or conducted to hide or disguise proceeds of crime;
- Is designed to evade any requirements of the Act;
- Has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction; and
- Involves financing of terrorism.

E5 Amaan Capital (Private) Limited shall pay attention to all complex and unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transaction shall, as far as possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.

E6 The transactions, which are out of character, are inconsistent with the history, pattern, or normal operation of the account or are not commensurate with the level of income of the customer shall be viewed with suspicion, be properly investigated and referred to Compliance Officer for possible reporting to FMU under the AML Act.

E7 Provided that a Suspicious Transaction Report (STR) shall be filed by Amaan Capital (Private) Limited with the Financial Monitoring Unit (FMU) immediately but not later than seven working days after forming that suspicion.

E8 CTRs should be reported for the transaction of rupees two million and above by Amaan Capital (Private) Limited with the FMU immediately, but not later than seven working days, after the respective currency transaction.

E9 Amaan Capital (Private) Limited shall keep and maintain all records related to STR and CTR filed by Amaan Capital (Private) Limited for at least five years after the reporting of the transaction.

E10 Amaan Capital (Private) Limited shall report the total number of STRs, if any, filed to the Commission on a bi-annual basis within seven days of the close of each half year.

E11 Further, Amaan Capital (Private) Limited shall also maintain a register of all reports made to the FMU, containing details of;

- 1) The date of the report;
- 2) The person who made the report;
- 3) The person(s) to whom the report was forwarded; and
- 4) Reference by which supporting evidence is identifiable. The basis of deciding whether an STR is being filed or not shall be documented and kept on record together with all internal findings and analysis done about a suspicion irrespective of the fact that the transaction is subsequently reported or not.

E12 All the employees are strictly prohibited from disclosing the fact to the customer or any other quarter that STR(s) or related information is being or has been reported to any authority, except if required by law.

E13 Amaan Capital (Private) Limited, without disclosing the contents of STR(s), shall intimate to the SECP on a bi-annual basis the number of STR(s) reported to FMU and Amaan Capital (Private) Limited shall ensure that status report (including no. of STR(s) only) shall reach the AML Department within seven days of close of each half year.

F DATA RETENTION

F1 Amaan Capital (Private) Limited shall maintain all necessary records of transactions, both domestic and international, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex, unusual large transactions) for a minimum period of five years from completion of the transaction. Provided that Amaan Capital (Private) Limited will retain those records for a longer period where transactions, customers or accounts involve litigation or it is required by the court or other competent authority.

F2 Concerning closed account, the record, including identification documents, account opening forms, KYC Forms, verification documents and other documents along with record of account files and correspondence, shall be maintained for a minimum period of ten years after the date of close of account.

F3 In case change in any of the particulars is requested by the customer, Amaan Capital (Private) Limited shall update the record on the customer's written request or request received through his/her registered email address.

F4 In the case of customers who cease to be a customer of Amaan Capital (Private) Limited, information regarding the beneficial ownership of the customer (legal entity) shall be maintained for at least 5 years.

G. TRAINING AND EMPLOYEE SCREENING

G1 Training shall be provided on KYC/CDD policy by HR/Compliance Department. There has to be ongoing training of the employees and agents to ensure that they understand their duties under KYC/CDD and can perform those duties satisfactorily.

G2 Amaan Capital (Private) Limited should have appropriate screening procedures when hiring and also on an ongoing basis to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism. This is important not just for the sake of Amaan Capital (Private) Limited's safety and reputation but the reputation of the Capital Market. For this purpose:

- Amaan Capital (Private) Limited's HR Manual should include a comprehensive employee due diligence policy and procedure to be carried out at the time of hiring all employees permanently, contractual, or through outsourcing. This shall include but not limited to verification of antecedents and screening procedures to verify that the person being inducted/hired has a clean history; Further, Amaan Capital (Private) Limited shall, periodically thereafter conduct employee screening at least annually.
- A suitable training program will be arranged about KYC formalities, awareness of KYC/AML/CFT policies and relevant rules, regulations and guidelines for relevant employees on half yearly basis, to effectively implement the regulatory requirements and Amaan Capital (Private) Limited's policies and procedures relating to AML/ CFT. The employee's training shall enable them to understand new developments, money laundering and financing of terrorism techniques, methods and trends. The training should also include the responsibilities of employees relating to AML/ CFT.

H. AUDIT FUCTION

H1 For company wide monitoring and review, Amaan Capital (Private) Limited's Internal audit functions shall conduct, periodic AML/CFT audits regularly. The frequency of the audit should be

commensurate with the company's nature, size, complexity, and risks identified during the risk assessments. The main areas of the audit shall include but not limited to:

H2 The overall integrity and effectiveness of the AML/CFT systems and controls and compliance with relevant laws and regulations;

- 1) The adequacy of internal policies and procedures in addressing identified risks, including;
 - a) CDD measures;
 - b) Record keeping and retention;
 - c) Third party reliance; and
 - d) Transaction monitoring;
- 2) Employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;
- 3) Completeness and adequacy of training programs
- 4) Emphasis on testing high risk areas identified in the organization
- 5) Adequacy of the process of identifying suspicious activities by employees and general controls to identify any ML/TF activities such as screening sanction lists.