

ANTI-MONEY LAUNDERING, CDD AND KYC

Trust Securities & Brokerage Limited ("TSBL") is a renowned Brokerage House which deals with almost all Investors and handsome number of High Net worth Individuals. Therefore, in order to protect its clients from increasing danger of money laundering, there needs to be a KYC Policy to ensure protection of its interest and so of its participants.

1 METHODOLOGY

1.1 OBJECTIVES OF KYC POLICY

The objective of this policy is to ensure that the services of the Brokerage House are not used to launder the proceeds of crime and that all the staff is aware of their responsibility in the fight against money laundering. The document also provides a framework to comply with applicable laws related with detection and reporting of suspicious activities.

1.2 SCOPE

This policy is applicable to all departments such as Settlement and Accounts, IT, Research and Sales but is not limited to the ones mentioned here.

1.3 MONEY LAUNDERING

Definition:

Money Laundering is the criminal practice of processing ill-gotten gains or "dirty" money, through a series of transactions, so that they appear to be the proceeds from legal activities. It is also the process to change the identity of illegally obtained money by using banking channel and stock exchanges so that it appears to have obtained from a legitimate source.

1.4 THE NEED TO COMBAT MONEY LAUNDERING (ML)

The prevention of ML from the point of view of a Brokerage House has three dimensions:

1. **Ethical:** taking part in the prevention of crime.
2. **Professional:** ensuring that the Brokerage House is not involved in recycling the proceeds of crime that would call into question its reputation, integrity and, if fraud is involved, its solvency.
3. **Legal:** complying with Laws and Regulations that impose a series of specific obligations on financial institutions and their employees.

1.5 REGULATORY OVERSIGHT AND COMPLIANCE RISKS

Trust Securities & Brokerage Limited has used SECP guidelines as applicable to formulate its KYC Policy. The consequence of contravening the Regulations or falling to comply can be significant and include disciplinary measures, imprisonment or fine or both under local laws as well as the loss of reputation of the Brokerage House. Notwithstanding the statutory and regulatory penalties, increased vigilance by Management and staff will protect the Brokerage House from the compliance risks.

2. LEGAL/REGULATORY OBLIGATIONS

2.1 LEGAL OBLIGATIONS

The Brokerage House is obligated to comply with the requirement of the Anti-Money Laundering Law. In addition, the Brokerage House is obligated to take prompt and immediate notice of all unusual or large transactions in client account, which apparently have no genuine economic or lawful purpose.

2.2 REGULATORY OBLIGATIONS

Under the SECP Regulations there are personal obligations on every member of the management and staff to report suspicious activities.

If a person is aware or suspects that a transaction or instruction is related to any crime, he/she must report the transaction to the Compliance department even if he/she is not directly handling the transaction, instruction or accounts in question.

The Brokerage House itself has similar obligations:

It is a regulatory requirement for a Brokerage House to have in place policy and procedures to combat money laundering. The policy/procedures as a minimum must include:

- Setup a Compliance unit with a full time Compliance Officer
- The verification of new client identification, KYC (Know Your Customer) and CDD (Customer Due Diligence) profiling, update customer's information and record at reasonable interval.
- Risk-based controls
- Awareness raising and training of Staff members
- Recognition and reporting suspicions of money laundering
- Retention of records
- Independent testing (Internal/external Audits)

3. THE TSBL POLICY FOR AML

Keeping in view of Global threat, TSBL has taken various steps to counter the menace of money laundering. The Brokerage House is stringently focusing on core Compliance Functions and has adopted a robust Policy.

3.1 THE POLICY

It is the policy of TSBL that:

- Statutory, regulatory and legal obligations to prevent ML are fully complied with
- Systems and controls are implemented and reviewed on set frequency in order to minimize the risk of the Brokerage House's services being abused for the purposes of ML.
- A money laundering risk assessment of the Brokerage House's services and client base including correspondent institutions are undertaken and appropriate policies, procedures and due diligence controls are applied proportionate to that risk.
- The Brokerage House would not do business with:
 1. A person with no identifiable source of income or his/her source of income does not match with size and quantum of investments/transactions
 2. A person and his/her Nominee do not provide a valid or unexpired CNIC
 3. A person who does not provide Power of Attorney if he/she authorizes a person other than main Account holder
 4. A person who does not provide a valid or unexpired CNIC of his/her Authorized Person
 5. A person who appears to have links or money transferred to/from offshore tax havens or belongs to country where KYC/CDD and anti-money laundering regulations are lax
- Any customer relationship where the customer's conduct gives the Brokerage House reasonable cause to believe or suspect involvement with illegal activities is required to be reported to the Regulators or relevant authorities.
- Management shall establish criteria of identifying and assessing ML risks that may arise in relation to services, business practices and delivery mechanisms including the review of existing services on on-going basis

3.2 NON COMPLIANCE WITH TSBL'S KYC POLICY

Failure to abide by the policy set by TSBL to prevent money laundering will be treated as a disciplinary issue. Any deliberate breach will be viewed as gross misconduct. Such cases will be referred to the HR for onward initiation of disciplinary action that could lead to termination of employment and could also result in criminal prosecution and imprisonment for the concerned staff member.

3.3 ACCOUNTABILITY AND RESPONSIBILITY

3.3.1 The Board is responsible for:

- Ensuring that adequate systems and controls are in place to deter and recognize money laundering
- Seeking Compliance reports from Compliance Officer on quarterly basis and taking necessary actions to protect the Brokerage House from use by criminals for ML
- Approval of appropriate policies on AML on recommendations of senior management along with periodic review of the same for necessary updation etc.

3.3.2 Management is responsible for:

- Ensuring that KYC policy is implemented in letter and spirit.
- Ensuring that Compliance Officer is promptly advised where there are reasonable grounds to know or suspect that transactions or instructions are linked to money laundering
- Ensuring that Compliance Officer is provided with all relevant information to carry out complete assessment of underlying transaction.
- Ensuring that Compliance Officer is provided with adequate resources to carry out his duties effectively.
- To report to the Exchange when there is change of Compliance Officer within the Brokerage House.

3.3.3 Compliance Officer is responsible for:

- Developing and maintaining policy in line with evolving statutory and regulatory obligations
- Making use of technology and upgrading Brokerage House's systems and procedures in accordance with the changing compliance risks.
- Undertaking the required money laundering risk assessment for customers
- Developing and ensuring that the internal procedures remain up-dated at all times.
- Monitoring and identifying transactions of suspicious nature and reporting to the Regulators in a timely manner
- Ensuring that staff is aware of their personal obligations and adequately trained in prevention of ML

- Representing the Brokerage House to all external agencies and any other third party inquiries in relation to money laundering prevention, investigation or compliance
- Preparing quarterly reports on AML compliance for onward submission to the Board of Directors
- Ensuring that all employees sign-off an undertaking confirming having read and understood Brokerage House's Policy
- Responding promptly to any request for information made by the Regulators or law enforcement agencies.
- Take appropriate action against the staff found involved in any of such activities that comes under the domain of AML
- To comply on timely basis when there are notices issued by the Exchange such as Al-Qaida Accounts, FATCA etc. which may require action
- As dealing in cash is strictly prohibited if it exceeds Rs. 25,000/- threshold by SECP, the Compliance Officer is then required to report the Exchange promptly when dealing in cash exceeds the said threshold.

3.3.4 All Employees are responsible for:

- Remaining vigilant to the possibility of money laundering through use of Brokerage House's services
- Complying with all KYC policies and procedures in respect of customer identification, account monitoring, record keeping and reporting.
- Promptly reporting to the Compliance Officer where they have knowledge or grounds to suspect a criminal activity or where they have suspicion of money laundering
- Ensuring that the customer is not disclosed any information related to inquiry or filing of suspicious activity report
- Undertaking Brokerage House's policy and procedures on AML and sign-off on the required form.
- Employees who violate any of the Regulations or the Brokerage House's KYC policies and Procedures will be subject to disciplinary action.

3.3.5 FOLLOWING CUSTOMER DUE DILIGENCE MEASURES SHOULD BE UNDER TAKEN AT THE MINIMUM:

- (a) TSBL should not open and maintain anonymous accounts or accounts in the name of fictitious persons.
- (b) All reasonable efforts shall be made to determine identity of every prospective customer. For this purpose, minimum set of documents be obtained various types of customers / account holder(s), at the time of opening account as prescribed in account opening form.
- (c) For all customers, TSBL should determine whether the customer is acting on behalf of another person, and should then take reasonable steps to obtain sufficient identification data to verify the identity of that other person.
- (d) For customers that are legal persons or for legal arrangements, TSBL are required to take reasonable measures to:
 - (i) understand the ownership and control structure of the customer.
 - (ii) determine that the natural persons who ultimately own or control the customer. This includes those persons who exercise ultimate effective control over a legal person or arrangement.
- (e) Government accounts should not be opened in the personal names of the government official(s). Any such account, which 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 Government.

The KYC/CDC Policy Approved in Board of Directors Meeting held on October 28, 2015 at Lahore.

Chief Executive Officer