



KHADIM ALI SHAH BUKHARI SECURITIES (PVT) LIMITED

**ANTI- MONEY LAUNDERING (AML)/ COUNTERING FINANCING OF TERRORISM (CFT)
POLICY
UPDATED IN LINE WITH
THE SECP (ANTI MONEY LAUNDERING AND COUNTERING FINANCING FOR TERRORISM)
REGULATIONS, 2020
NATIONA RISK ASSESSMENT 2019
&
THE SECP GUIDELINES ON ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM
AND PROLIFERATION FINANCING (UPDATED APRIL, 2020)**

Dated April 09, 2021

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DOCUMENT CONTROL SHEET

Title of the Policy	Anti-Money Laundering (AML) / Countering Financing of Terrorism (CFT) Policy, Procedures and Controls
Associated Key Risk	Money Laundering, Financing of Terrorism, Proliferation Financing, Regulatory, Legal, Financial and Reputational Risk
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Version	3.0
Reviewed By	Compliance Department Operations & Account Opening Department
Concurred by	Chief Executive Officer
Recommended By	Compliance Officer
Approved By	Board of Directors
Board's Approval Date	09/Apr/2021

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1. **PURPOSE**

Formulation and revision of this policy is in line with requirements of Anti-Money Laundering (AML) Act 2010, Anti-Terrorism Act (ATA) 1997 and applicable SECP [Anti Money Laundering (AML) / Countering Financing of Terrorism (CFT)] Regulations, 2020, SECP Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Proliferation Financing (**updated April 2020**) on Risk Based Approach amended from time to time, NRA 2019, United Nations Security Council (Freezing & Seizure) Order, 2019 and NACTA Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nations Security Council Resolution No. 1373 along with international best practices, to prevent the possible use of Brokerage House as a conduit for Money Laundering or Terrorist Financing activities.

Amid increasing focus of Securities Brokers and regulatory bodies on curbing Money Laundering (ML) / Terrorist Financing (TF) and Proliferation Financing (PF) activities, Securities Brokers are required to have comprehensive AML / CFT Policy entailing the following guidelines on KASB's ML/TF/PF risk management approach to identify, assess, manage and mitigate these risks on an ongoing basis.

KASBs are required to manage these risks throughout the life cycle of its customers related to channels/products/jurisdictions/services and relationships, starting from onboarding of new business relationships till closure as well as for all walk in or occasional customers.

In addition to the above, the international AML / CFT standards such as Financial Action Task Force (FATF) and Asia Pacific Group (APG) on Money Laundering on Customer Due Diligence, and United Nations (UN) resolutions concerning sanctions are to be followed to prevent the possible use of KASB as a conduit for money laundering or terrorist financing activities.

To further strengthen the regulatory framework to curb Money Laundering and Terrorist Financing, the SECP has issued AML/CFT Regulations and its subsequent amendments from time to time, covering the following aspects:

2. **BRIEF ON SECP AML/CFT REGULATIONS FOR SECP REGULATED PERSONS ("RPs"):**

Regulation	Areas Covered
<u>CHAPTER –II –</u> RISK ASSESSMENT AND MITIGATION	Risk Assessment; Risk Mitigation and Applying Risk Based-Approach; New Products, Practices and Techniques' Customer Due Diligence (CDD); Beneficial Ownership of Legal Person and Legal Arrangements; Identification of Beneficiary for Life Insurance or Takaful Policies; Enhanced Due Diligence (EDD); Politically Exposed Persons (PEP); Simplified Due Diligence (SDD); Reliance on Third Parties; Ongoing Monitoring; Reporting of Transactions (STRs/CTRs); and Counter Measures against High Risk Countries.
Regulation-4 Risk Assessment	<ul style="list-style-type: none">Identifying, assessing and understanding Money Laundering (ML)/Terrorism Financing (TF) in relation to customers, their jurisdiction or countries, jurisdictions or countries RP has operations or dealings in, products, services, transactions and delivery channels RP is offering.This regulation also prescribes appropriate steps for identifying,

	assessing and understanding ML/TF risks.
Regulation-5 Risk Mitigation and Applying Risk Based Approach	Implementation of counter ML and TF measures to ML and TF Risk with respect to size of business of RP by developing and implementing policies, procedures and controls duly approved by RP's Board, monitoring their implementation, performing enhanced measures to manage and mitigate High Risk if identified, need of independent audit function to test the system.
Regulation-7 New Products, Practices and Technologies	<ul style="list-style-type: none"> • Identification and assessing ML and TF Risk that may arise in relation to New Products and Business Practices, use of new or developing technologies. • This Regulation prescribes undertaking risk assessment prior to launch of products, practices and technologies and taking measures to manage and mitigate their risks. • The Regulation also covers paying special attention to new products, business practices and new technologies that favor anonymity.
CUSTOMER DUE DILIGENCE (CDD) AND BENEFICIAL OWNERSHIP	
Regulation -8 Customer Due Diligence	<ul style="list-style-type: none"> • CDD measures for Identifying and Verifying New and Existing Customers and/or beneficial owners on the basis of documents, data or information obtained from customer and/or from independent sources before, during or after course of establishing a business relationship. • CDD measures for understanding and obtaining information on the purpose and intended nature of business relationship. • CDD measures also include monitoring of accounts/transactions on ongoing basis to ensure that these being conducted are consistent with RP's knowledge of customer, his business and risk profile including his source of funds and data/information for taking prompt action in case of material departure from usual and expected activity. • This Regulation covers the requirement of documents as per Annexure-I. • Prohibitions from establishing business relationship with entities and /or individuals that are DESIGNATED under UNSCR adopted by Govt. of Pakistan, PROSCRIBED under Anti-Terrorism Act, 1997 and associates/facilitators of DESIGNATED / PROSCRIBED entities/individuals. • Steps to determine the Person acting on behalf of a Customer including Authority, Identification and Verification of Authorized Person and the Customer.

	<ul style="list-style-type: none"> • Categorization of customers as High or Low Risk as outcome of CDD. • Maintaining list of Customers/Accounts where business relationships were refused or needed to be closed on Negative Verification. • Non-satisfactorily CDD measures, account shall be closed or business relationship terminated and considering to warrant STR. • Doubt of tipping-off the Customer due to CDD measure, filing STR without CDD process. • Govt. entities accounts to be opened on their own names operated by officers on production of Special Resolution or Authority from concerned Admin Dept. or Ministry duly endorsed by MoF or Finance Dept./Division of concerned Govt.
<p>RegulationS-13, 14, 16 & 17</p> <p>Beneficial Ownership of Legal Persons and Legal Arrangements.</p>	<p>Acquisition and usage of information and data from reliable sources for a Legal Person for following CDD measures/purposes: -</p> <ul style="list-style-type: none"> • Understanding its business nature, ownership and control structure; • Identifying and verifying identity of Natural Person who owns or ultimately has controlling ownership interest in Legal Person. • Where no Natural Persons are identified, identify the Natural Person having Executive Authority or equivalent or similar positions in the Legal Person. <p>Acquisition and usage of information and data from reliable sources for a Legal Arrangement for following CDD measures/purposes: -</p> <ul style="list-style-type: none"> • For Trusts, identification and verification of identity of the settler, the trustee, the protector, the beneficiaries and Natural Person exercising ultimate ownership and control over the Trust. • For other type, identification and verification of identity of the Natural Person having ultimate ownership and control over such Legal Arrangement.
<p>Regulation – 19</p> <p>Ongoing Monitoring including STRs and CTRs</p>	<ul style="list-style-type: none"> • Consistency of Transactions with RP's Knowledge of Customer, its business and risk profile and source of funds (where appropriate). • Obtaining information and examine the background and purpose of all complex and unusual transactions having no apparent economic or visible lawful purpose and background. • Periodic review of information and beneficial owners and ensuring them up to date and relevant, by reviewing existing records, particularly of High-Risk Customer. • Revision of Customers' profiles keeping in view the spirit of KYC/CDD

	<p>and bases to be documented.</p> <ul style="list-style-type: none"> • Filing of STR on reasonable grounds for suspension, RP may consider to retain the customer: <ul style="list-style-type: none"> ○ To substantial and document the reasons ○ Proportionate risk mitigation measures including Enhanced Ongoing monitoring. • Freezing of funds and assets of Designated/Proscribed entity/individual by UNSCR and Anti-Terrorist Act and their associates/facilitators and reporting to Commission. <p>Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs)</p> <ul style="list-style-type: none"> • Guidelines for Reporting of Complex, Unusually Large, and out of pattern Transactions and Currency Transactions.
Regulation 20 – Existing Customers	<ul style="list-style-type: none"> • CDD Requirements of Existing Customers on the basis of Materiality and Risk. • Blocking of Account of the customers, if customers fails to provide information / documents within One Month of the Notice. • Activation of In-active / Dormant Account subject to conduct of NADRA Verisys or Bio-metric verification and after obtaining attested copy of customers' valid identity documents.
Regulation – 21 Enhanced Due Diligence (EDD) & Politically Exposed Persons (PEPs) and their Close Associates	<ul style="list-style-type: none"> • Requirement of implementing Internal Risk Management Systems, Policies, Procedures and Controls for Customer having High Risk of ML/TF. • Circumstances where Customer presents High Risk of ML/TF also include: - <ul style="list-style-type: none"> ○ Customers belonging to non-compliant countries with AML Regulations according to FATF. ○ Body corporate, partnerships, associations and Legal Arrangements including NGOs and NPOs which receive donations. ○ Legal Person or Arrangement with complex ownership structure. • EDD measures in proportionate to risk posed to business relationship by Customer having High Risk or notified as having High Risk by SECP. • EDD measures include approval from Senior Management,

	<p>establishing the Source of Wealth and/or Funds or Beneficial Ownership of Funds, enhanced monitoring of business relationship.</p> <ul style="list-style-type: none"> • Requirement of Internal Risk Management Systems, Policies, Procedures and Controls for determining a Customer as PEP. • EDD Measures include approval from Senior Management, establishing the Source of Wealth and/or Funds or Beneficial Ownership of Funds, enhanced monitoring of business relationship for: - <ul style="list-style-type: none"> ○ In case of foreign PEPs; and ○ In case of domestic PEPs posing High Risk in business relationship in addition to other requirement of these regulations. • EDD Measures are applicable on family members and close associates of all PEPs.
Regulation – 22 Counter Measures Against High-Risk Countries	<ul style="list-style-type: none"> • Adoption of counter measures including EDD proportionate to the Risk, to the business relationship and transactions with Customers belonging to High-Risk Countries called by FATF and/or notified by Fed. Govt.
Regulation - 23 Simplified Due Diligence	<p>Where Low Risk is identified through risk analysis and adequate checks and controls, SDD or reduced CDD / KYC measures: -</p> <ul style="list-style-type: none"> • Decision to rate Low Risk a customer to justified in writing. • Low Risk cases may include: <ul style="list-style-type: none"> ○ RP and Banks subject to combat ML and TF requirements consistent with FATF recommendations and supervised. ○ Public Listed companies. ○ Insurance policies where annual premium is less than Rs. 100K or single premium is less than Rs. 250K. ○ Group Insurance policies ○ Pension superannuation or similar scheme providing retirement benefits to employees. ○ Financial products or services. • SDD measures include reducing identification updates, degree of ongoing monitoring and scrutinizing transactions and non-collection

	of specific information.
Regulation – 24 Reliance on Third Parties	<ul style="list-style-type: none"> • Obtaining of identification information, beneficial ownership and/or business nature. • Provision of copies of identification data and other documents relating CDD requirement without delay. • Third party is regulated and supervised or monitored for. • Confidentiality and non-disclose agreement. • In case of third party of same financial group, CDD and record-keeping requirements and programs against ML and TF. • Ongoing monitoring and ultimate responsibility of AML/CFT obligation of RP.
TFS OBLIGATIONS	
Regulation – 25 TFS Obligation	<p>Undertaking TFS obligations under United Nations (Securities Council) Act 1948 and /or Anti-Terrorism Act 1997 and Regulations made there under including:</p> <ul style="list-style-type: none"> • Develop mechanism, process and procedures for screening and monitoring customer, potential customers and their BOs/Associates to detect any matches or potential matches for designated / proscribed persons. • In case of positive or potential match, SB shall immediately: <ul style="list-style-type: none"> ○ Freeze relevant funds and assets, block transaction without prior notice; ○ Prohibit from making any funds or other assets, economic resources, or financial and other services and funds; ○ Reject the transaction or attempted transactions or the customer. ○ File a STR to FMU and notify the Commission; ○ Implement any other obligation under AML Act 2010, UNSC Act and Anti-Terrorism Act and any other regulations made there under. • KASB is prohibited, on an ongoing basis, for providing financial services to proscribed /designated entities and person or those who are known for their association with such entities and persons.

<p style="text-align: center;">CHAPTER III</p> <p style="text-align: center;">RECORD KEEPING</p>	
<p>Regulation– 26</p> <p>Record Keeping</p>	<ul style="list-style-type: none"> • Maintenance & Retention of Customer and Transactions related records for minimum period of five (5) years from completion of the transaction. • Ensure of timely making available, all CDD and transaction record to Commission, FMU and LEAs, whenever required.
<p style="text-align: center;">COMPLIANCE PROGRAM</p>	
<p>Regulation – 27</p> <p>Compliance Program including screening and training of employees.</p>	<ul style="list-style-type: none"> • Mandatory need for appointment of management level CO, reportable to Board or to another equivalent executive position or committee; • Timely access of Customers’ record and relevant information. • Responsibilities of CO. • Screening procedures for hiring Employees. • Comprehensive Employee due diligence. • Suitable training program for relevant employees on annual basis.
<p>Regulation – 28</p> <p>Corporate Groups</p>	<p>Group-wise programs against AML/CFT which include the following measures:</p> <ul style="list-style-type: none"> • Policies and procedures for sharing information for CDD and ML/TF Risks management. • Group-level compliance, audit and/or AML/CFT functions, for Customers, Accounts and Transactions. • Adequate safeguard on confidentiality and use of information.
<p>Regulation – 29</p> <p>Foreign Branches including Financial Group</p>	<ul style="list-style-type: none"> • Need for paying attention to foreign branches and subsidiaries of RP which do not or insufficiently comply with FATF recommendations. • In case of difference in AML/CFT requirements in both jurisdictions, apply higher of two standards. • In case of conflict and inability to fully observe High Standards, RP shall report to Commission.
<p>Regulation – 30</p> <p>Correspondent</p>	<p>Measures to performed when forming a correspondent relationship:</p> <ul style="list-style-type: none"> • Assessing the suitability of respondent FI;

Relationship	<ul style="list-style-type: none"> • Understanding and documenting the respective AML/CFT responsibilities of FI and respondent FI. • Accessing respondent FI in context of sanctions/embargoes and Advisories about risk; • Approval from Senior Management before providing correspondent service to new FI. • Documentation of the basis of satisfaction. • Not entering or continuing correspondent relationship with Shell FI.
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3. SECP GUIDELINES FOR IMPLEMENTING AML/CFT REGULATIONS:

3.1 FIRST VERSION OF SECP GUIDELINES ON ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM, AND PROLIFERATION FINANCING, 2018

In addition to the AML/CFT Regulations, the SECP issued its first Guidelines on September 18, 2018 on Implementation of AML/CFT Framework under the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 to strengthen trade related Anti Money Laundering/Countering Financing of Terrorism (AML/CFT) regime and restrict possible misuse of Brokerage Industries in order to accelerate the level of outreach of KASBs for achieving the objective of financial inclusion and strengthening the controls related to Money Laundering (ML)/ Terrorist Financing (TF) risks.

3.2 SECOND VERSION OF SECP GUIDELINES ON ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM, AND PROLIFERATION FINANCING, 2020

3.2.1 The SECP has revised its Guidelines in line with amendments incorporated in SECP AML/CFT Regulations and review of the latest National Risk Assessment of Pakistan in 2019 (“NRA 2019”).

- (a) According to NRA 2019, RP should have policies and procedures to prevent the misuse of technological development in ML/TF scheme, and to avoid or mitigate all technologies that favor anonymity. NRA 2019 suggested limitations on the use of non-face to face business, or on virtual business to avoid opening up of alternative possibilities for ML/TF and fraud, especially High-Risk industries such as Brokerage.
- (b) NRA 2019 has determined the risk of corruption and therefore the risk of providing financial services to Politically Exposed Persons (“PEPs”) is high. As per NRA 2019, all domestic PEPs must be scrutinized, particularly for their source of funds wealth and assets.
- (c) Both by international standards and in Pakistan’s National Risk Assessment, Non Profit Organizations (“NPOs”) are classified as a High Risk Sector for TF.
- (d) RPs may conduct Simplified Due Diligence (SDD) in case of lower risks identified by them in line with NRA 2019. RP should pay particular attention to the level of risk assigned to the relevant sector, type of Customer or activity as mentioned in NRA 2019.

- (e) RP must also consider guidance material to determine the level of risk involved in relation to Customers, Products/Services, Delivery Channels and Countries/Region provide in NRA 2019.
- (f) For low risk environment, RP may asses risk by only considering the Likelihood of ML/TF/PF activity involving its identification combined with business experience, and guidance available through SECP, NRA 2019, and FATF.
- (g) RP should have appropriate policies, procedures and controls that enable them to manage and mitigate effectively the inherent risks that they may identified, including risk identified in NRA 2019.

3.2.2 The above stated Regulations/framework should be emphasized in KASB's AML/CFT Policy, Procedures and Controls for meticulous compliance as KASB maintains zero tolerance for regulatory non-compliances.

3.3 **SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (ANTI MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM) REGULATIONS, 2020 REVAMPING EARLIER SECP (AML/CFT) REGULATIONS, 2018**

3.3.1 In additions to regulatory requirements applicable on the Regulated Persons of the Securities and Exchange Commission under the SECP (Anti Money Laundering and Countering Financing of Terrorism) Regulations 2018, the following new regulatory requirements have been added under the SECP (AML & CFT) Regulations, 2020 promulgated on September 28, 2020:

- (a) Few definitions have been amended in line with Anti-Money Laundering Act, 2010 updated till 2020 and few definitions have been omitted and some have been added in the new version of SECP (AML/CFT) Regulations, 2020.
- (b) Suspicious Transactions Reporting and Currency Transactions have been aligned with their requirements under Anti Money Laundering Act, 2010.
- (c) These AML/CFT Regulations further elaborated the obligation of KASB to develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and their beneficial owners/associates to detect any matches or potential matches with the stated designated / proscribed persons/entities in the SRO and notified by MoFA, NACTA and Mol;
- (d) Targeted Financial Sanctions (TFS) Obligations for a Securities Broker to deal with funds and assets without delay including blocking of transactions, without prior notice; and
- (e) Procedure for prohibiting from making any funds or other assets and rejecting the transactions or attempted transactions or the customer, if relationship has not commenced.

3.3.2 In order to taking revised SECP (AML/CFT) Regulations 2020 into effect, KASB is required to revised its AML/CFT Policy, Procedures and Controls to mitigate the ML/TF/PF risk which may be triggered by establishing business relationship with the customers or potential customers.

4 AML/CFT POLICIES, PROCEDURES AND CONTROLS OF REGULATED PERSON INCLUDNG SECURITIES BROKER

- 4.1 KASB under the Compliance Program prescribed under the SECP AML/CFT Regulations to develop and implement following internal Policies, Procedures and Controls which are approved by its Board of Directors to enable such RPs to effectively manage and mitigate the risk that are identified in the risk assessment of ML/TF/PF or notified by the Commission.
- 4.2 KASB's AML/CFT Policies, Procedures and Controls provide the mechanism to KASB to detect and control ML and TF for preventing the abuse of their financial products and services.
- 4.3 The SECP Guidelines supplement the AML/CFT Regulations by clarifying and explaining the general requirement of the regulatory framework to help KASB in applying national AML/CFT measures. KASB's AML/CFT Policies, Procedures and Controls define the mechanism for ensuring effective compliance culture for AML/CFT Framework at Broker's end.

5 **SCOPE**

This policy applies to each and every business segment and all employees of **Khadim Ali Shah Bukhari Securities (PVT) Ltd** to effectively mitigate the risks of ML / TF/ PF. As KASB is prone to the risk of being misused by criminal elements for their ulterior motives, this policy will be a guiding document for employees to address the risks stemming from Customers or Transactions in an effective way of using Risk Based Approach ("**RBA**").

The management will continuously refine its Customer Due Diligence processes using the RBA, through implementation of system based Risk Rating environment for Customer Risk Profiling. Standard Operating Procedures (SOPs) along with various guidance documents and systems are provided to the branches / field staff from time to time to ensure effective execution of the process to identify & mitigate ML / TF / PF risks.

Considering the huge size of undocumented sector in the economy, execution of due diligence process is complex and time consuming. However, for the compliance of regulatory requirements and to contain the customer related risks, the management will make best efforts to conduct proper due diligence of every existing and prospective Customer.

Moreover, the management will handle Terrorism Financing ("**TF**") as separate risk and will regularly conduct TF risk assessment to identify threats posed by TF and to gauge efficacy of the controls to mitigate the inherent risk in such activities in line with the Pakistan National Risk Assessment on ML/TF 2019 ("**NRA 2019**") update. Accordingly, existing controls shall be regularly evaluated in the light of prevailing and emerging risks and additional appropriate actions/controls to identify, assess and mitigate the risks; will be implemented.

6 **OBJECTIVES**

6.1 **RISK MANAGEMENT FACTORS:**

- (a) To prevent criminal elements from using KASB for money laundering activities from any of its branch or channel.
- (b) To safeguard KASB from being used as a conduit in Terrorism and Proliferation Financing.
- (c) Ensuring that only bona fide and legitimate customers are accepted.

6.2 RISK MITIGATION MEASURES:

- (a) To verifying the identity of customers using reliable and independent sources.
- (b) To ensure that proscribed individuals or entities and their affiliates or associates are not having any trading relationship or being provided any service from KASB.
- (c) To conduct Ongoing Monitoring of Customer's accounts and transactions to prevent or / and detect potential ML / TF/PF activities.
- (d) To implement Customer Due Diligence process using Risk Based Approach.
- (e) To ensure implementation of Targeted Financial Sanctions (TFS) related to Terrorism & Proliferation Financing (TF & PF).
- (f) To manage reputational, operational, legal and concentration risks etc.
- (g) To put in place appropriate controls for prevention, detection and reporting of Suspicious Activities in accordance with applicable laws/laid down procedures.
- (h) To comply with the applicable laws, regulatory requirements and guidelines etc.

7 ESTABLISHMENT OF DEPARTMENTS/FUNCTIONS AND APPOINTMENT/DESIGNATION OF OFFICERS

7.1 ESTABLISHMENT OF COMPLIANCE DEPARTMENT/FUNCTIONS AND APPOINTMENT OF COMPLIANCE OFFICER

- (a) As required under regulation 29 of KASBs (Licensing and Operations) Regulations, 2016 (the "**Broker Regulations**"), KASB shall, as applicable, either designate or appoint a whole-time Compliance Officer, fulfilling the Fit and Proper criteria specified in the Regulations.
- (b) The Compliance Officer should be a Senior Management level officer as defined under the Regulation 2(1)(f) of the AML/CFT Regulations and the Regulation 2(1) of KASBs Regulations.
- (c) The Compliance Officer shall report directly to the board of directors or chief executive officer or committee.
- (d) The Compliance Officer as well as any other person appointed to assist him shall have timely access to all Customer record and other relevant information, which they may require to discharge their function.
- (e) The Compliance Officer shall have Job Descriptions / Responsibilities included but limited to the responsibilities described under KASBs Regulations and Regulation 27(2)(c) of the AML/CFT Regulations. Detailed JD of compliance officer is attached as **Appendix-A**.
- (f) The function of Compliance Officer cannot be outsourced, only limited functions such as screening or database checks can be performed by another entity, except where the third party is part of a group and is properly supervised by a competent authority.

- (g) Qualification and experience of Compliance Officer shall preferably be in accordance with the Fit and Proper Criteria prescribed under regulations.

7.2 ESTABLISHMENT OF INDEPENDENT INTERNAL AUDIT DEPARTMENT/FUNCTIONS AND APPOINTMENT OF INTERNAL AUDITOR OFFICER/AUDIT OFFICER

- (a) KASB shall put in place effective and operationally independent Internal Audit function/department having appropriate trained and competent staff.
- (b) The Internal Auditor/Internal Audit function shall directly report to the Board of Directors or its Audit Committee as prescribed under regulations.
- (c) The Internal Audit function shall be headed by a dedicated or designated head of Internal Audit possessing relevant qualification and experience.
- (d) The Audit Committee, if established by the Board shall be responsible to monitor and review the effectiveness of Internal Audit function/department.
- (e) Internal Audit Function can be outsourced to third party through the policies and procedures in relation to outsourcing.
- (f) KASB shall conduct Due Diligence of Outsourcing Service Provider (OSP) as Fit and Proper to perform the audit activity that is being outsourced.
- (g) KASB shall have written Outsourcing Agreement clearly sets out the obligations of both parties.
- (h) KASB shall develop a contingency plan and strategy to exit the arrangement in the event that OSP fails to perform the outsourcing activity as agreed.
- (i) Detailed JD of internal auditor is attached as **Appendix-B** to this policy.
- (j) KASB shall be ultimate responsible for meeting AML/CFT requirements.

8 KNOW YOUR CUSTOMER (KYC) CUSTOMER DUE DILIGENCE (CDD), SIMPLIFIED DUE DILIGENCE (SDD)

KASB shall perform KYC, CDD & SDD for all of its customers. The purpose of KYC & CDD are:

- To identify the beneficial ownership.
- To identify the customer. (By obtaining Government authorized personal identification documents as prescribed in **Appendix-C**)
- To validate the identity of customer through independent documentation. (Through screening procedure)
- To obtain his source or proof of income. (Through different documents as prescribed in **Appendix-D**)

For performing the KYC, the pre-validated KYC form of NCCPL shall be used and all necessary information (as mentioned in **Appendix-E**) with regards to KYC shall be entered in that form and back office system. For the purpose of CDD a designed Customer Due Diligence (CDD) & Customer Risk Categorization (CRC) form shall be used which shall assess the CDD and risk level of client as **LOW, MEDIUM or HIGH** and Government authorized personal identity document. The requirement of

performing CDD is applicable to all new and existing customers with same parameters as defined in this policy.

For LOW & MEDIUM risk clients only KYC & CDD shall be performed, while for HIGH RISK customers approval from senior management (CEO, Director, Chairman etc) shall be taken for maintaining business relationship and EDD shall performed in addition to KYC & CDD. If an individual customer is represented by an authorized agent or any other representative, or he is dependent on another person or the beneficial owner of the funds is other than the customer himself, the KASB shall also,

- Obtain identity documents of that authorized person/agent, beneficial owner or sponsor.
- Perform KYC & CDD of authorized person/agent, beneficial owner or sponsor.
- Obtain proof of income/source of income of authorized person/agent or beneficial owner or sponsor.

These are applicable only if the customer is individual in nature. While in case of corporate/ institution client, only identity documents of authorized persons & beneficial owners shall be obtained.

All the documentation related to identification of customer, its profession / source(s) of income, beneficial owner, authorized person(s)/ agents or officers and all other relevant documents for account opening shall be obtained prior to the establishment of business relationship.

9 ENHANCED DUE DILIGENCE (EDD)

Upon performing the KYC/CDD/SDD, if any of the customer is identified as **“HIGH RISK”**, KASB shall perform its Enhanced Due Diligence (EDD). The EDD procedure shall be covered with an additional questionnaire of Enhanced Due Diligence attached as **“Appendix-F”** and supporting documents shall be obtained for identifying the financial strength of customer, source of funds or wealth and beneficial ownership. In addition to this, publicly available information from open sources shall be also be obtained like LinkedIn, Google search and other different websites. Approval of senior management such as CEO/ COO/ BoD shall be obtain for opening the HIGH RISK account. The questionnaire and other supporting documentation shall be retained in a hard or soft copy.

In addition to HIGH RISK accounts, KASB shall perform EDD of such accounts in which significant variation in the pattern of investment without reasonable or acceptable explanation have been noted through transaction monitoring OR significant amount of cash deposit made by client.

10 RISK ASSESSMENT AND MITIGATION

10.1 RISK ASSESSMENT:

KASB must assess each Customer’s risk to allow for correct application of Enhanced Due Diligence, Standard, Simplified or Special measures for PEPs and other designated categories as per the Regulations. The risk of the customer shall be assessed by a separate **“Customer Due Diligence & Risk Assessment Form”** attached as **“Appendix-G”** Necessary minimum customer risk rating categories are:

- (a) High Risk Category

(b) Medium Risk Category

(c) Low Risk Category

10.2 RISK MITIGATION MEASURES THROUGH CUSTOMER DUE DILIGENCE (CDD)

The following are the measures to mitigate the risks associated to Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) activities through the customers or potential customers:

(a) CUSTOMER IDENTIFICATION

KASB will serve only the genuine person(s) and all-out efforts would be made by the management to determine true identity of its customers. Minimum set of documents shall be obtained from various types of customer(s), at the time of opening account, as prescribed in Annexure-I to the SECP AML/CFT Regulations.

The Customer relationship is only established on the strength of:

- (a) In case of Natural Person, valid CNIC / SNIC / Passport / NICOP / SNICOP/ POC .
- (b) Where the customer is not a Natural Person, the registration/ incorporation number, business registration number or special resolution/authority;
- (c) In case of government accounts/autonomous entities (as applicable).
- (d) For **non-face-to-face** customers or online customers, the management shall put in place suitable operational procedures (**like OTP verification**) to mitigate the risk(s) attached with non-face-to-face prospective customer(s) and establish identity of the client.

Moreover, the management shall not rely on third parties to perform any CDD measures as prescribed by the SECP.

(b) CUSTOMER VERIFICATION

The management of shall identify the Beneficial Ownership of accounts/ transactions by taking all reasonable measures. Identity (ies) of the customers and Beneficial Owner will be verified using reliable independent sources including **NADRA Verisys or Biometric Verification or OTP verification**. Verification of the identity of the customers and Beneficial Owners shall be completed before business relations are established.

Extra care is essential where the customer is acting on behalf of another person, and reasonable steps must be taken to obtain sufficient identification data to verify the identity of that other person as well. For customers that are Legal Persons or for Legal Arrangements, branches shall take reasonable measures to: -

- (a) Understand the ownership and control structure of the customer;
- (b) Determine and verify 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.

- (c) Identity documents, wherever required as per updated AML/CFT Regulations, shall be invariably verified by utilizing on-line facility of **Bio Metric Verification and / or NADRA VERISYS or OTP verification** and Verification of the identity of the customers and Beneficial Owners shall be completed before business relationship is established or a transaction is processed.

(c) CUSTOMER ACCEPTANCE

The Customer will only be accepted once above given formalities have been completed in letter and spirit. Following accounts shall not be opened/maintained by KASB where;

- (a) Identity, beneficial ownership, or information on purpose and intended nature of business relationship is not clear.
- (b) Name of the individual customer/organization (including such individuals who are authorized to operate account(s) and the members of governing body/directors/trustees of an entity) appears in the Proscribed/Sanctioned / Specially Designated Nationals (SDNs) entities lists.
- (c) Proscribed entities and persons or those who are known to be associated with such entities and persons, whether under the proscribed name or with a different name.
- (d) Anonymous / fictitious (Benami) or numbered accounts.

(d) CDD FOR WALK-IN-CUSTOMERS:

- (e) Walk-in-customers shall only be entertained, once due diligence measures for transactions relating to such customers as prescribed by the applicable SECP AML/CFT Regulations/guidelines along with international best practices have been complied with.
- (f) For walk-in-customers / occasional customers, to establish and validate the true identity of the person(s) executing the transactions either for self or if the person is acting on behalf of some other person(s), complete originator information must be obtained and identities must be invariably verified as directed under the regulations; using reliable, independent source of information, i.e., **Biometric Verification or NADRA Verisys or system generated OTP or personal verification by staff** in line with SECP directive on use of Biometric Technology or any other relevant technology.
- (g) Further, name clearance should also be obtained against sanctioned lists by searching in back office software or NACTA website & UNSCR website/ list.

(e) CDD FOR EXISTING CUSTOMERS:

10.2.e.1 KASB shall apply CDD requirements to its existing customers on the basis of materiality and risk and shall conduct due diligence on existing relationship at appropriate time taking into account the following:

- (a) Whether and when CDD measure have previously been undertaken; and
- (b) Adequacy of data obtained.

10.2.e.2 The customers who opened accounts with old NICs, KASB shall ensure the following:

- (a) Copies of identity documents shall be presented in its record;
- (b) Without identity documents accounts shall be blocked after serving one (1) month prior notice for all withdrawals until all subject regulatory requirements are fulfilled;
- (c) Upon submission of attested copy of identity document and verification of the same from **NADRA Verisys or Biometric Verification**, the blockage shall be removed.

10.2.e.3 The Customers whose accounts are dormant or in-operative, withdrawal shall not be allowed until the account is activated on the request of the Customer on following basis:

- (a) NADRA Verisys or Biometric Verification has been done; and
- (b) Copy of customer's valid identity document.

(f) TARGETED FINANCIAL SANCTIONS (TFS) MANAGEMENT

KASB understand the severity of TFS. Therefore in order to comply with the Targeted Financial Sanctions regime, the management will devise effective system and controls to safe guard KASB from being exploited by the terrorists for TF/PF.

In this regard, all the relationships (A/c holders, joint A/c holders, shareholders, directors, nominees, beneficial owners) will be screened against the prescribed sanctions lists; both local and international before establishment of the relationship.

Further, the whole data base of KASB shall be screened on fortnightly or monthly basis. SROs as and when uploaded on the www.eservices.secp.gov.pk shall be screened and reported with 48 hours and evidence of screening and reporting shall be kept in soft/hard forms.

In case of any of its customer or expected customer is found in the proscribed list of NACTA/ UNSCR or another relevant or applicable authority, KASB shall take following actions:

- 1) Freezing of Accounts (if account is already opened)
- 2) Refusing to establish or maintain relationship (if it's an expected customer or account is in process of opening)
- 3) Reporting of STR/ATR with FMU
- 4) Reporting to SECP & other regulator (if applicable)

For the purpose of screening new and existing data base and clients KASB shall acquire automated solution in its back-office system. While until the system is not acquired, it shall manually scan through NACTA website / UNSCR list.

(g) ACCOUNTS AND TRANSACTIONS MONITORING:

The Compliance / Operations Department shall monitor the transactions of clients through their deposit amounts. KASB shall assess the trading & deposit amounts. Similarly in case of any adverse or anonymous/ suspicious transaction/activity or pattern or series of transactions compliance department shall contact with the CS / Sales department for additional documentation to counter the

anonymous / suspiciousness. If the client fails to provide required documentation or he fails to counter the suspiciousness in his account within reasonable time frame, following actions shall be taken:

- 1) Change in Risk Ratings. (Low to Medium or High) (Medium to High) etc
- 2) Upon changing the risk to HIGH level, EDD shall be conducted.
- 3) Filing STR with FMU.
- 4) With approval of Head of Sales, MD, Head of Compliance & CEO the account may also be closed.

In addition to the above parameters of transaction monitoring, following criteria shall also be taken into consideration for monitoring the transactions:

- 5) Frequent cash deposits by client.
- 6) Cash deposit(s) in a large / suspicious amount.

The management shall pay special attention to every complex, unusually large and out- of-pattern transaction(s), which have no apparent economic or visible lawful purpose. If KASB suspects or has reasonable grounds to suspect that the funds are the proceeds of criminal activities or have potential to be used for terrorist activities, it shall report its suspicion to Financial Monitoring Unit (FMU) through its GoAML E-portal.

In case of suspicion, the Compliance Officer shall raise Suspicious Transaction Reports in line with the requirement highlighted under AML Act 2010, SECP AML / CFT regulations and SECP Guidelines. Accordingly, the Compliance Officer should devise procedures to meet these requirements.

For customers / clients whose accounts are dormant, KASB shall not allow entries in such accounts (except those allowed under AML/CFT Regulations) until the account holder(s) produce(s) updated copy of his/her CNIC (and they shall be verified by NADRA Verisys) if already not available in KASB's record, fulfill all other requirements for activation of the account and the Compliance/ Operation Department is satisfied with CDD of the customer.

The employees of KASB are strictly prohibited to disclose the fact to the customer that a Suspicious Transaction Report (STR) / Currency Transaction Report (CTR) or related information has been reported to FMU or any other Law Enforcement Agency (LEA).

Currency Transactions (i.e. CTR) exceeding the prescribed limits as defined in AML Act 2010 and its subsequent amendments from time to time will be reported to FMU through GoAML E-portal.

KASB shall strictly monitor the receipt of cash transaction (if any cash deposit made by client). It shall not encourage the dealing in cash under its separate **"Funds Deposit & Withdrawal Procedure & Policy"**. While if the customer deposits cash by himself beyond the prescribed limit of Rs.25,000 KASB shall immediately (within 24 hours) report this to Pakistan Stock Exchange (PSX).

Financial transactions (deposits) should be monitored through automated Transaction Monitoring System (TMS) based on predefined scenarios and thresholds. In case of unavailability of automated system, the team shall monitor manually until the vendor provides automated solution for TMS.

- 11.1 In case a customer has no active business with the RP, and cannot be reached, or refuses to engage in updating because there is no active business, account should be marked inactive with the instruction that relationship cannot be re-activated without full CDD.
- 11.2 In case due diligence cannot be updated, a formal ending of the relationship should be done by following the legal process for ending a customer relationship under the applicable laws.
- 11.3 KASB encourages to invest in computer systems for transactions monitoring specifically designed to assist the detection of ML/TF/PF. It is recognized that this may not be necessary in a risk-based approach. In such circumstances, KASB will need to ensure they have alternative systems in place for conducting on-going monitoring.
- 11.4 Alternate or manual systems of ongoing monitoring may rely on Compliance Officer generated lists or instructions and regular lists generated from IT system such as:
 - (a) Periodic list of new clients and relations closings;
 - (b) Monthly or yearly lists of inactive clients; Ad Hoc reviews, meaning reviews triggered by an event, new information from supervisors and media reports.

12 SIMPLIFIED DUE DILIGENCE (“SDD”) MEASURES:

- 12.1 KASB may conduct SDD in case of Low Risk identified in line with NRA 2019. KASB should pay attention to the level of Risk assigned in the latest NRA 2019:
 - (a) to relevant sector;
 - (b) to relevant customer type; and
 - (c) to activity
- 12.2 KASB will use the following SDD Measures:
 - (a) Reducing the frequency of Customer identification update;
 - (b) Reducing the degree of On-going monitoring and scrutinizing transactions, based on reasonable monetary threshold;
 - (c) 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;
 - (d) undertaking verification after establishment of the business relationship;
 - (e) less stringent steps to verify the Beneficial Owner.
- 12.3 Where KASB decides to take SDD measures w.r.t a Customer, it should document the **full rationale behind such decision** and make available that documentation to the Commission on request.

13 ENHANCED DUE DILIGENCE MEASURES:

KASB shall apply Enhanced Due Diligence Measures in the following scenarios:

13.1 POLITICALLY EXPOSES PERSONS (PEPS)

- (a) Business relationships with PEPs holding important public positions may expose RP to significant reputational and/or legal risk. In addition, PEPs because of their position, may expose RPs and their business partners to a high degree of public expectation and scrutiny.
- (b) All PEPs/ close relatives of PEPs or family members or PEP shall be marked **“HIGH RISK”** and EDD shall be performed.
- (c) Identification of PEPs shall be made through a tentative table of PEPs, attached as **“Appendix-H”**.
- (d) Family members of a PEP are individuals who are related to a PEP either directly or through marriage. Close associates are individuals who are closely connected to PEP, either socially or professionally. Close associates have in many cases been used to provide a cover for the financial activities of a PEP, and may not be in any way connected to the PEP in an official capacity. The KYC/ CDD done by KASB staff on the source of funds or source of wealth of a customer may be the first clear documentation of a close association.

13.2 RISK AS PER NRA 2019:

- (a) The AML/CFT National Risk Assessment of Pakistan has determined the risk of corruption and therefore the risk of providing financial services to PEPs is high. This means that all domestic PEPs must be scrutinized, particularly for their source of funds wealth and assets.
- (b) KASB shall be obliged to ascertain whether their customer is a PEP. In assessing the ML/TF risks of a PEP, KASB shall consider factors such as whether the customer who is a PEP:
 - a. Has prominent public functions in sectors known to be exposed to corruption;
 - b. Has business interests that can cause conflict of interests (with the position held);
 - c. Has been mentioned in media related to illicit financial behavior; and
 - d. Is from a high risk country.
- (c) The PEP red flags that the RPs shall consider include:
 - a. The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;
 - b. A family member of a PEP without own financial means is transacting with the RP without declaring the relationship to a PEP, or the origin of the funds transacted;
 - c. The PEP is associated with, or owns, or signs for, complex legal structures that are commonly used to hide Beneficial Ownership;
 - d. Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;

- e. A PEP uses multiple bank accounts for no apparent commercial or other reason;
 - f. The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.
- (d) KASB shall take a Risk-Based Approach in determining whether to continue to consider a customer as a PEP who is no longer a PEP. The factors that RPs should consider include:
- a. the level of (informal) influence that the individual could still exercise; and
 - b. whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters, or through continued strong ties within a party, family or institution).
- (e) KASB in addition to performing normal due diligence measures should also:
- a. have appropriate risk management systems to determine whether the customer is a PEP;
 - b. obtain **senior management approval** for establishing business relationships;
 - c. take reasonable measures to establish the source of wealth and source of funds; and
 - d. conduct enhanced ongoing monitoring of the business relationship.

13.3 CUSTOMERS FROM HIGH-RISK JURISDICTIONS IDENTIFIED BY FATF:

The management shall also apply Enhance Due Diligence (EDD), proportionate to the risks to business relationships with individuals and entities including Financial Institutions from high-risk foreign jurisdictions as specified by the FATF or any other relevant/ competent authority.

13.4 NON-PROFIT ORGANIZATIONS ("NPOs") OR NON-GOVERNMENT ORGANIZATIONS ("NGOs")

- (a) Both by international standards and in Pakistan's National Risk Assessment, NPOs and NGOs are classified as a High-Risk Sector for TF.
- (b) The objective of Enhanced Customer Due Diligence for NPOs/NGOs is to ensure that NPOs/NGOs are not misused by terrorist organizations:
 - a. to pose as legitimate entities;
 - b. to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; or
 - c. to conceal or obscure the clandestine diversion of funds intended for legitimate purposes, but diverted for terrorist purposes.
- (c) KASB who transacts with NPOs/NGOs should understand:
 - a. Beneficiaries and Beneficial Owners including certain donors that maintain decision rights;
 - b. Flow of funds, in particular the use of funds by an NPO/NGO.

13.5 HIGH NET WORTH INDIVIDUALS (HNWI)

- 11.5.1 High net worth individuals while an attractive customer for KASB can expose the RP to higher risk of financial transactions that may be illicit. There is no standard size of HNWI. Every RP knows to whom it is offering its products and services, and can establish criterion for HNWI applicable to their particular business.
- 11.5.2 KASB should scrutinize HNWI customers to determine, whether they carry a higher risk of ML/FT and require additional due diligence measures. Such scrutiny must be documented and updated as part of the Risk Assessment of the RP.

13.6 HIGH-RISK COUNTRIES & HIGHER RISK REGIONS WITHIN A COUNTRY

- 11.6.1 Certain countries, or regions within countries have a specific higher AML/CFT risk profile. Examples are border regions, large goods transit points such as ports, or regions experiencing social unrest, that can be associated with specific crime patterns such as cash or people smuggling, drug trafficking, violent crimes, fraud and corruption, and consequently pose a higher potential risk to the RP. Conducting a business relationship with a customer from such a country/region exposes the RP to risk of channeling illicit money flows.
- 11.6.2 KASB should exercise additional caution, and conduct EDD on individuals and/or entities based in high-risk countries / regions. KASB shall consult publicly available information to ensure that they are aware of the high-risk countries/territories. KASB shall consider among the other sources, sanctions issued by the UN, the FATF high risk and non-cooperative jurisdictions, the FATF and its regional style bodies (FSRBs) and Transparency International Corruption Perception Index (TI CPI).
- 11.6.3 Complex legal structures may be created in jurisdictions specializing in obscuring the trail to **Beneficial Owners** and allowing easy creation of complex corporate vehicles, so called offshore jurisdictions. RPs engaging with foreign complex legal structures, or with local companies owned by such foreign legal structures, need to educate themselves on offshore financial centers and acquire adequate expertise to understand their customers' ownership structure up to the Beneficial Owner and be able to assess documents presented to them.

11.6.4 AFGHAN REFUGEES

Identification and evaluation of the customers or their nominees or authorized persons or directors or sponsors or major shareholders, who are Afghan Refugees.

KASB shall ensure that before establishing business relationship with people from High Risk jurisdiction areas as identified in AML / CFT regulations, the person is not an Afghan Refugee or a person's nominee or joint holder is not an Afghan Refugee. It is likely hood that Afghan Refugees are involved in various crimes like drug trafficking, kidnapping, money laundering and terrorist activities.

14 RISK MANAGEMENT APPLYING RISK BASED APPROACH:

- 14.1 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 e-KYC/CDD application and as guided in SECP AML CFT Regulations and SECP Guidelines and international best practices for making effective decision whether to perform Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

- 14.2 KASB may endeavor to develop the system based KYC/CDD and Risk Profiling of Customer, through implementation of e-KYC/CDD Application. This application may assist the branches for effective and efficient KYC/CDD management in order to mitigate risk related to Money Laundering/Financing of Terrorism and Proliferation Financing.
- 14.3 The approval for opening of Politically Exposed Person (PEP) and Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Not less than Head of Operations or Business Development) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations.
- 14.4 Customer KYC / CDD profile will be reviewed and/or updated on the basis of below mentioned predefined frequency, in accordance with the risk profile of the customer:

High Risk	At least Once in a Year or on need basis*
Medium Risk	At Least Once in 2 Years or on need basis*
Low Risk	At least Once in 3 Years or on need basis*

**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.*

- 14.5 The Compliance Officer will counter-examine the relationships to ensure that due diligence procedures are adhered to in letter and spirit by the concerned staff in business segments.
- 14.6 While formulating procedures and controls, the management shall take into consideration Money Laundering and Financing of Terrorism threats that may arise from the use of new or developing technologies, especially those having features of anonymity or inconsistency with the spirit of CDD/EDD measures.

15 IDENTIFICATION OF BENEFICIAL OWNERSHIP OF LEGAL PERSONS OR LEGAL ARRANGEMENT

KASB shall identify the beneficial owners of Legal Person or Legal Arrangements as per following procedures:

- 15.1 The Beneficial Owner (**the “BO”**) is the natural person at the end of the chain who ultimately owns or controls the customer. The BO is defined under AML/CFT Regulations, “beneficial **owner**” ***in relation to a customer of a regulated person means, the natural person who ultimately owns or control a customer or the natural person on whose behalf a transaction is being conducted and includes the person who exercise ultimate effective control over a person or a legal arrangement***”.
- 15.2 **The Companies Act, 2017 defines “Beneficial Ownership of shareholders or officer of a company”** means ownership of securities beneficially owned, held or **controlled** by any officer or **substantial shareholder** directly or indirectly, either by-
- (a) him or her;
 - (b) the wife or husband of an officer of a company, not being herself or himself an officer of the company;

- (c) the minor son or daughter of an officer where “son” includes step-son and “daughter” includes step-daughter; and “minor” means a person under the age of eighteen years;
- (d) in case of a company, where such officer or **substantial shareholder** is a shareholder, but to the extent of his proportionate shareholding in the company:

Provided that “**control**” in relation to securities means the power to exercise a controlling influence over the voting power attached thereto:

Provided further that in case **the substantial shareholder** is a non-natural person, only those securities will be treated beneficially owned by it, which are held in its name.

Explanation: - For the purpose of this Act “**substantial shareholder**”, in relation to a company, means a person who has an interest in shares of a company-

- (a) the nominal value of which is equal to or more than ten per cent (10%) of the issued share capital of the company; or
- (b) which enables the person to exercise or control the exercise of ten (10%) per cent or more of the voting power at a general meeting of the company.

- (a) **Backward Ownerships** means, “Ownership of the Legal Person or Legal Arrangement by another Legal Person or Legal Arrangement, that is also owned by another Legal Person or Legal Arrangement and so on and so forth until ultimate Natural Person(s) is(are) identified. For Example:

ULTIMATE NATURAL PERSON	BENEFICIAL OWNERSHIP	LEGAL PERSON	BENEFICIAL OWNERSHIP	LEGAL PERSON	BENEFICIAL OWNERSHIP	LEGAL PERSON (CUSTOMER)
Mr. Ahmad	50%	ABC Company (Pvt.) Limited	10%	XYZ Company	10%	Technologies (Pvt.) Limited
Mr. Ali	25%		20%	MNP Limited	20%	
Mr. Sam	25%		NATURAL PERSONS (Mr. Rizwan-50% & MRS. Rizwan-30%)		70%	

- (b) **Forward Ownerships** means” the Legal Person or Legal Arrangement which owns another Legal Person or Legal Arrangement, that also owns another Legal Person or Legal Arrangement, until ultimate Natural Person(s) is(are) found, who owns such Legal Person or Legal Arrangement.

LEGAL PERSON (CUSTOMER)	BENEFICIAL OWNERSHIP	LEGAL PERSON	BENEFICIAL OWNERSHIP	LEGAL PERSON	BENEFICIAL OWNERSHIP	ULTIMATE NATURAL PERSON
Investments Limited	50%	ABC Company (Pvt.) Limited	10%	XYZ Company	90%	Mr. Ahmad
					10%	Mr. Ali
			90%	NATURAL PERSON		Mr. Abdullah
	25%	TRUST	20%	MNP Limited	50%	Mr. Ali
					30%	Mr. Zaman

					20%	<i>Mr. Sam</i>
	25%	NATURAL PERSON				<i>Mr. Bakar</i>

- (c) In this Customer (Legal Person) and its ultimate Beneficial Owners i.e., Natural Persons will be screened for identification and assessment against the lists of Designated/Proscribed Persons/Entities by NACTA and UNSCR through Govt. of Pakistan. The lists of designated / proscribed persons/entities are available on the following links:

- d. <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
- e. [\(https://scsanctions.un.org/search/](https://scsanctions.un.org/search/)
- f. <https://www.un.org/securitycouncil/sanctions/1267>
- g. <https://www.un.org/securitycouncil/sanctions/1988>
- h. <https://www.un.org/securitycouncil/sanctions/1718>
- i. <https://www.un.org/securitycouncil/content/2231/background>
- j. <https://nacta.gov.pk/proscribed-organizations-3/>
- k. <https://nacta.gov.pk/pp/>
- l. <https://nfs.punjab.gov.pk/>

15.3 FOR LEGAL PERSONS / LEGAL ARRANGEMENTS:

KASB will essentially be required to understand the ownership and control structure of the Customer having simple structure based on the following:

- (a) Plausibility and records.
- (b) Further verification in any case of lack of transparency or doubt, or higher risk.
- (c) Register of Ultimate Beneficial Ownership as primary source for verification.

In case of a local Customer having complex structures, foreign entities or foreign owned entities, Securities Broker is required to develop and have the necessary knowledge to correctly identify and verify such clients and their beneficial owners using information and data publicly available on the internet.

- (a) KASB may adopt a Risk-Based Approach to the verification of beneficial ownership of a customer.
- (b) Securities Broker must identify the beneficial ownership of a customer, regardless of the level of risk associated with that customer. However, KASB shall take reasonable steps to verify the identity and information depends upon on the risk assessment of the customer.
- (c) KASB should assess different levels of ML/TF risks posed by their customers' beneficial owners.

15.4 CUSTOMERS, WHOSE BENEFICIAL OWNERSHIP MUST BE KNOW:

KASBs must identify the BOs of the following Customers:

- (a) Politically Exposed Persons;
- (b) Customers having links with High-Risk Country or Region.

- (c) Students not having regular and known Source of Income;
- (d) House-wives not having regular and know Source of Income.
- (e) Trusts, Non-Profit Organizations, Non-Government Organizations, etc.
- (f) Companies, Corporations and Partnerships having backward and/or forward ownership by another legal person(s).

15.5 IN CASE OF SUSPICION REGARDING BO OF THE CUSTOMER:

If KASB has doubts about the veracity or adequacy of the information provided, it should do the following actions:

- (a) not start a business relationship, or provide a financial service;
- (b) consider making a suspicious transaction report to FMU;
- (c) In case of non-reporting of STR, KASB may continue business relationship with such Customer provided rationale for its decision is recorded on its EDD form.

16 REVIEW OF NEW PRODUCTS, PRACTICES AND SERVICES INCLUDING NEW TECHNOLOGIES

The management shall identify and assess the ML/FT/PF risks that may arise in relation to expansion of operations in different jurisdictions, the development of new products, services, business practices including delivery mechanism and the use of new or developing technologies for both new and pre-existing products.

16.1 CROSS BORDER FUNS TRANSFER

KASB shall strictly monitor wire transfers (domestic / cross border) regardless of any threshold. Foreign wire transfers are usually used to hid the actual transactions occurred. KASB shall ensures that if any amount is received from cross border, the amount is actually transferred from the client through legal process of funds transfer methods in foreign countries like **SWIFT** not through various financial institutions to layer the transactions.

17 RECORD KEEPING

The records of identification documents, account opening forms, KYC forms, verification documents and other relevant documents along with records of account files and business correspondence, shall be maintained for a minimum period of ten years after the business relationship is ended.

The management shall also maintain for a minimum period of ten years all necessary records on transactions for both domestic and cross-border from the date of completion of transaction(s). The data relating to Suspicious Transactions and Currency Transactions reported by KASB to FMU will be retained for the period of at least ten years from the date of such reporting.

However, records relating to customers, accounts or transactions will be retained for longer period, which involve litigation or is required by court or other competent authority until otherwise instructed by the relevant body. Furthermore, all signature cards and documents indicating signing authorities, and other documents relating to the account or instrument surrendered to SECP / Exchange / any

other competent law enforcing agency (duly authorized by law/court), shall be kept in KASB's record till such time that SECP / Exchange / competent law enforcing agency (duly authorized by law/court) informs in writing that same need no longer to be preserved.

18 CORRESPONDENT BROKERAGE SERVICE BUSINESSES

The management will establish correspondent brokerage relationships with only those foreign brokers that have adequate and effective AML / CFT systems and policies in line with the AML / CFT regulations relating to the country in which foreign broker operate. KASB will pay special attention when establishing or continuing correspondent relationship with foreign brokers which are located in geographical locations or governed by jurisdictions that have been identified by FATF for inadequate and poor AML/CFT standards in the fight against money laundering and financing of terrorism.

Before establishing new correspondent brokerage relationship, approval from senior management shall be obtained and proper Due Diligence shall be conducted. Ongoing Due Diligence of respondent/correspondent broker will be conducted using risk-based approach following the *guidelines given in below table.*

High Risk	At least Once in a Year or <i>earlier if any happening / event/situation so demands*</i>
Medium Risk	At Least Once in 2 Years or <i>earlier if any happening / event/situation so demands *</i>
Low Risk	At least Once in 3 Years or <i>earlier if any happening / event/situation so demands *</i>

**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. Material change in relationship in the context of correspondent foreign broker would mean that the conduct of the account is not commensurate with the stated profile of the correspondent or respondent foreign broker and can also be triggered owing to some geo political situation under sanctions regime.*

KASB shall not enter into or continue correspondent brokerage relations with a shell broker/entity and shall take appropriate measures when establishing correspondent brokerage relations, to satisfy themselves that their respondent broker does not permit their accounts to be used by shell companies/entities.

19 EMPLOYEES DUE DILIGENCE FOR THEIR VERIFICATION AND SCREENING

In line with SECP AML/CFT regulations, the management will implement employee's due diligence policy for verification and screening of employees so inducted/hired to ensure that person has a clean history. Further, the Compliance Officer shall perform independent review of Employee Due Diligence process as per Broker's HR Manual/Policy.

20 VENDORS, OUTSOURCING AND SERVICE PROVIDER'S DUE DILIGENCE

The management should ensure that regulatory guidelines as specified in SECP AML/CFT Regulations and Guidelines relating to Outsourcing Arrangements for Compliances, Internal Audit and Operations, if done to outsourcing service providers are implemented.

21 TRAINING

Suitable Employee Training Program will be put in place by the management on an monthly/ quarterly /annual basis to enhance staff capability, to effectively implement the regulatory requirements, KASB's own policy & procedural requirements relevant to AML/CFT including alerts analysis, and possible reporting of Suspicious Transactions as well as to understand new developments in ML/TF/PF techniques, methods, and trends. Further, dedicated awareness sessions will be held for KASB's staff to raise the level of understanding of KASB's officials on ML/TF/PF risks.

22 COMPLIANCE REVIEW

The Compliance Officer shall perform the periodic review of as per **AML-CFT checklist** to check their level of compliance with the provisions in the AML/CFT Policy and Procedures according to their scope/framework.

23 POLICY REVIEW PERIOD

The AML / CFT Policy will be reviewed on as and when required basis but not later than one year.

24 AML/CFT CONTROLS

Following controls are to be implemented for effectiveness of AML/CFT policies.

1. KASB shall not open account from those countries or regions that have been declared blacklist by FATF like North Korea and Iran.
2. KASB shall not open accounts from such countries or regions that are included in war zones and with whom the Government of Pakistan has no trade ties and/or no diplomatic or bilateral relations (No Embassy or Consulate). List of such countries in **Appendix-I**.
3. KASB shall not open accounts from such countries or regions that have not been recognized by Pakistan in United Nations like Israel and Armenia. List of such countries in **Appendix-I**.
4. KASB shall not open account of those individuals and institutions that have been included in sanctions list by United Nation, NACTA or any other competent authority.
5. KASB shall not open account of such client who have no signature on their identity document (CNIC/NICOP/SNIC/SNICOP/PASSPORT).
6. KASB shall not open account without CNIC verification from NADRA or Biometric.
7. KASB shall not open account if the identity document is INACTIVE in NADRA record.
8. KASB shall not open account on expired identity documents.
9. KASB shall not open account on expired constitutive documents. (If applicable)
10. KASB shall not open account without proper source of income. (Individual clients)
11. KASB shall not open account without documents as required in AML/CFT regulations. (Institutional / corporate clients)
12. KASB shall inform its clients via written or verbal communication regarding expiry of their identity documents prior to their expiry.

13. Upon expiry of identity documents KASB system shall mark the as **“Dormant or Inactive”** for further trading. Trading shall be disabled in such accounts. It shall remain un-active till the updated CNIC has not been received and entered in system.
14. Without entry of information (as mentioned in **Appendix-E** of this policy document) no account shall be opened.
15. The system generated alerts shall be in place for the clients as and when their trading limit is breached.
16. In case of individual account opening, where source of income is from an un-registered business, only **“Sahulat Account”** shall be processed.
17. No third party payment shall be accepted.
18. There shall be no account to account transfer in securities except the same titled accounts. For example Mr. ABC cannot transfer his securities to Mr. XYZ in KASB securities or any other broker through KASB. Mr. ABC can only transfer securities to his own account with KASB or any other broker after verification of identity of accounts.
19. Funds un-utilized for more than 6 months shall be returned back to client.

25 **GROSSAR**

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARC	Aliens Registration Card
CCO/CO	Chief Compliance Officer/Compliance Officer
CNIC	Computerized National Identity Card
CTR	Currency Transaction Report
FATF	Financial Action Task Force
FMU	Financial monitoring Unit at SBP
EDD	Enhanced Due Diligence
KYC	Know Your Customer
NICOP	National Identity Card For Overseas Pakistanis
NACTA	National Counter Terrorism Authority
POR	Proof of Registration (For Afghan Nationals)
PEP	Politically Exposed Person
POC	Pakistan Origin Card
RBA	Risk Based Approach
SNIC	Smart National Identity Card
SNICOP	Smart National Identity Card for Overseas Pakistanis
SNIC	Smart National Identity Card
STR	Suspicious Transaction Report
TFS	Targeted Financial Sanctions

COMPLIANCE OFFICER

Job Descriptions

Emp.#	Employee's Name	Qualifications	Experiences	Joining/Appointment Date
Functionally Reporting to:		Administrative Reporting to:		
Board of Director / Risk & Compliance Committee		Chief Executive Officer/Chief Operating Officer		
<p>Under Securities Brokers (Licensing & Operations) Regulations, 2016, the Compliance Officer is responsible:</p> <p>-</p> <ul style="list-style-type: none"> For ensuring compliance with and performing functions pertaining to the segregation and safekeeping of customer assets. To immediately report any non-compliance with any requirement to KASB for it taking immediate steps to ensure compliance with the regulatory regime. Where KASB fails to take steps as reported by the Compliance Officer, to immediately inform the Securities Exchange and the Commission of the non-compliance by KASB. To prepare monthly compliance reports for submitting to the board of directors of KASB/Risk & Compliance Committee. <p>Under SECP (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018, the Compliance Officer is responsible for the areas including, but not limited to-</p> <ul style="list-style-type: none"> 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, as amended from time to time; ensuring that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors of the regulated person and are effectively implemented; monitoring, reviewing and updating AML/CFT policies and procedures; providing assistance in compliance to other departments and branches; timely submission of accurate data/ returns as required under the applicable laws; monitoring and timely reporting of Suspicious and Currency Transactions to FMU; such other responsibilities as the Securities Broker may deem necessary in order to ensure compliance with these regulations; and Review and investigate with suspicion, the transactions, which are out of character, inconsistent with the history, pattern, or normal operation of the account or not commensurate with the level of income of a customer and referred to Compliance Officer for possible reporting to FMU under the AML Act. 				
Reviewed by: Chief Executive Officer		Dated: __/__/2020	Approved by: Board of Directors	Dated: __/__/2020

INTERNAL AUDITOR
Job Descriptions

Emp.#	Employee's Name	Qualifications	Experiences	Joining/Appointment Date
Functionally Reporting to:		Administrative Reporting to:		
Audit Committee of the Board		Chief Executive Officer/Chief Operating Officer		
<p>Under Securities Brokers (Licensing & Operations) Regulations, 2016, the Internal Auditor/Function is responsible: -</p> <ul style="list-style-type: none"> • To ensure that a periodic or annual review of the internal control system; • For assessment of overall level of compliance of KASB; • For reporting directly to the board of directors or its audit committee; • To monitor the integrity of the financial statements of the company; • To review the company's internal controls and risk management systems; • To make recommendations to the board in relation to appointment or removal of the auditor; • To approve the remuneration and terms of engagement of the auditor; • To develop and implement policy on engagement of the auditor to supply non-audit services; <p>Under SECP (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018, the Internal Auditor/Function is responsible for the areas including, but not limited to-</p> <ul style="list-style-type: none"> • Test the Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) system for implementing counter Money Laundering (ML) and Terrorism Financing (TF) measures having regard to ML and TF Risk and size of the business; • Conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT Policies and Procedures; • Asses overall governance structure of KASB for AML/CFT, including the role, duties and responsibilities of the Compliance Officer/function; • Asses the ownership taken by management and board of directors (where applicable), in particular Risk Assessment, Risk Based Approach, AML/CFT related internal enquiries, suspicious transaction reports and regulatory compliance; • Assess the integrity and effectiveness of the AML/CFT systems and controls and the adequacy of internal policies and procedures in addressing identified risks, including: <ul style="list-style-type: none"> ○ CDD measures including monitoring and updating of customer data; ○ Screening process for TFS, and test its functionality; ○ testing transactions with emphasis on high-risk customers, geographies, products and services; ○ Record keeping and documentation. • the effectiveness of parameters for automatic alerts and the adequacy of RP's process of identifying suspicious activity, internal investigations and reporting; • the adequacy and effectiveness of training programs and employees' knowledge of the laws, regulations, and policies & procedures. <p>Audit Period: The frequency of the audit shall be quarterly in normal course of business but at any time if need arises.</p>				
Reviewed by: Audit Committee		Dated: __/__/2020	Approved by: Board of Directors	Dated: __/__/2020

LIST OF IDENTITY DOCUMENTS:

SR. #	Nature of Client	Document Required
1	Individual A/C Holder & Joint A/c Holder(s)	Clear, Visible and updated copy of CNIC/NICOP/PASSPORT/POC/SNIC/SNICOP
2	Individual A/C Nominee	Clear, Visible and updated copy of CNIC/NICOP/PASSPORT/POC/SNIC/SNICOP
3	Individual A/C Sponsor	Clear, Visible and updated copy of CNIC/NICOP/PASSPORT/POC/SNIC/SNICOP
4	Institutional/ Corporate Client (Director, Trustees, Beneficial Owners & Authorized Persons)	Clear, Visible and updated copy of CNIC/NICOP/PASSPORT/POC/SNIC/SNICOP

LIST OF DOCUMENTS FOR SOURCE OF INCOME

SR. #	Expected Occupation / Nature of Occupation	Document Required
1	All Types of Salaried Persons	Employee Card/ Latest Salary Slip/ Salary Certificate/ Employment Certificate and bank statement if necessary.
2	All Types of Business / Self Employees	Declaration on letter head, Copy of Registration Certificate(s) and Tax returns/ bank statement of at least 3 months if necessary.
3	All Types of Freelancer(s)	Declaration of freelancing on stamp paper, profile from freelancing website or account and Tax returns/ bank statement of at least 3 months if necessary.
4	Retired Person	Declaration of retired persons on simple paper or stamp paper, copy of retirement letter(s)/ pension book/ retirement card, bank statement.
5	Housewife/ Households/ Students (Independent)	Declaration of housewife/household/ student on simple paper or stamp paper, bank statement and student card or proof of being student.
6	Housewife/ Households/ Students (Dependent)	Declaration of housewife/household/ student on simple paper or stamp paper, student card or proof of being student and source of income of sponsor as mentioned in this Annexure, according to his/her occupation
7	Investors / Investment	Proof of investment i.e. dividend income/ statement of investment/tax return/ statement of portfolio or investment account and declaration of investment on simple/ stamp paper.
8	Landlord/ Agriculturist	Proof of agricultural land/ property, declaration of agriculturist/ landlord, bank statement on f 3 months/ tax return.
9	Inheritance/ Rental Income	Proof of inheritance (Succession certificate etc), Rent agreement, bank statement/ tax return.
10	Any other Occupation	Shall be required as per circumstances.

Note:

The foreign / Non-Resident customer shall also be required to provide bank statement (showing credit entries of the funds that he / she intends to invest through the company).

Proof of mailing / permanent address shall be required (In case the address provided is same as in CNIC, no additional document is mandatory. In other cases, any of the documents shall be provided i.e. Utility bills, rental agreement, bank statement, NTN certificate and mobile bill).

List of documents mentioned above is not exhaustive, the company reserves the right to waive off any document or ask for all documents simultaneously and may also ask for additional documents if it is not satisfied with the provided documents.

Information Required for Account Opening			
SR #	Information Required	Type of Client	Requirement to Fill/ Provide Info
1	Full name of client	Individual & Institutional client	As per identity document mentioned in Annex-I & constitutive document.
2	Father / Spouse Name	Individual	As per identity document mentioned in Annex-I
3	Mother Maiden Name	Individual	-
4	Issuance & Expiry Date	Individual	As per identity document mentioned in Annex-I
5	DOB & POB	Individual	As per identity document mentioned in Annex-I
6	Occupational Details	Individual	As per proof of occupation provided.
7	ID number	Individual & Institutional client	As per identity document mentioned in Annex-I & constitutive document.
8	Mailing Address, Permanent & Registered Address	Individual & Institutional client	As per identity document mentioned in Annex-I OR *As per proof of address.
9	Telephone/ Mobile number	Individual & Institutional client	Registered on client's name.
10	Email ID	Individual & Institutional client	Active Email ID required.
11	Nationality / Residential Status	Individual & Institutional client	As per identity document mentioned in Annex-I & constitutive document.
12	Type of account	Individual & Institutional client	As per choice of client/ source of income
13	Operating Instructions	Individual & Institutional client	As per choice of client.
14	Details of Contact Person	Individual & Institutional client	As per identity document mentioned in Annex-I
15	Bank Details	Individual & Institutional client	Actual Details required.
16	Share Holder category	Institutional Client	As per constitutive documents.
17	Expected Annual Income	Institutional Client	Estimation on the basis of Latest Financials.
18	Net Assets/ Net Equity	Institutional Client	On the basis of Latest Financials.
19	Registration, NTN Number	Institutional Client	As per constitutive documents.
20	Incorporation/ registration date	Institutional Client	As per constitutive documents.

EDD QUESTIONNAIRE CHECKLIST & PROCEDURE OF EDD

Enhance Due Diligence Questionnaire Checklist			
Client Name:		Date:	
Client Code:		Nature of Client:	
Question		Response	Details
Location of the person (Resident or Non-resident)			
Occupation of the person			
Source of Fund			
Any restrictions from employer			
Level of Income			
Expected Investment			
Ultimate beneficiary of the fund			
Type of transactions (Normal or structured)			
Purpose of Transaction			
Expected pattern of activity in terms of transaction types,			
Method / Modes of payment (Cash based or Cross Cheque)			
For Politically exposed persons (PEP):			
Title and details on the position the PEP holds or held. This includes the level of influence of the position.			
If the PEP is a close associate or family member, their identity, title, role and level of proximity to public office should be established.			
Ongoing Transactions Monitoring			
Transaction are consistent with details such as its background, purpose and nature.			
Transactions are in line with the stated purpose and if they are in the usual or expected threshold			
Is transaction reported to PSX or FMU?			
Is additional document obtained to justify the financial strength or transaction?			
Pattern of previous transactions recorded/ matched/ monitored?			
Any anonymous or suspicious activity observed in previous pattern of transaction?			
Is there any third party payment received during tenure of business relationship?			
Others			
Is risk based approach for marking risk completed? (CRC form)			
Is there any additional document obtained regarding financial strength?			
Extensive background checked?(i.e. LinkedIn, website or physical visit or other online or non-online ways)			
For Businesses and other legal entities:			
Official corporate records from company's management.			
Registration documents from the local Registrar of Companies.			
Articles of incorporation, partnership agreements and business certificates.			
Names and locations of its customers and suppliers.			
Banking information and relationships with other financial institutions.			
Identity of board members and beneficiaries.			

Remarks by Compliance:

As the customer have been identified as High Risk through risk based CDD & Risk Assessment form, therefore we have conducted this EDD. All his documents regarding EDD (proof of income & financial strength/ wealth assessment) have been obtained and checked. Name screening have also been conducted and to the best of our efforts and checking the client Is not found to be appeared in any adverse list like NACTA, UNSCR and others. Therefore the account may be opened.

Compliance Department

Approval of CEO

APPENDIX – G

KHADIM ALI SHAH BUKHARI SECURITIES (PVT) LIMITED			
CUSTOMER DUE DILIGENCE & RISK ASSESSMENT FORM UNDER THE RISK BASED APPROACH			
Client Name:			
A/c / CNIC # :			
Determinants		Weight	Score
Occupation Risk	Agriculturist	15	
	Business / Self employee - (Registered)	10	
	Business / Self employee - (Un-Registered)	15	
	Business Executives (CEO, DIRECTOR, CHAIRMAN OF LISTED/ PUBLIC LTD ORG.)	10	
	Business of high value items or precious items - (Registered)	30	
	Business of high value items or precious items - (Un-Registered)	35	
	Cash Based Business - (Un-Registered)	25	
	Cash Based Business - Registered	20	
	Freelancers - (Registered)	15	
	Freelancers - (Un-Registered)	25	
	Households- Dependent	20	
	Households- Independent	15	
	Housewives- Dependent	15	
	Housewives- Independent	10	
	Industrialist	10	
	lawyers/ notaries	35	
	Other Individual (Investors etc)	10	
	Professional	10	
	Real Estate & Builders Business - Registered	40	
	Real Estate & Builders Business - Un Registered	50	
	Retired- Government (Dependent)	15	
	Retired- Government (Independent)	5	
	Retired- Private (Dependent)	15	
	Retired- Private (Independent)	5	
	Salaried Person - Government	10	
	Salaried Person - Private	5	
	Salaried Person - Private & Cash based salary	20	
	Sole Proprietor/ Partner	10	
	Students- Dependent	20	
	Students- Independent	15	
Transporters / Automobile Dealers/ Travel Agents	30		
Customer Poses	Low Net worth Individual (Non RH Desk)	5	
	High Net worth Individuals (RH Desk)	15	
	PEP (direct/ indirect)	60	
	Customer which have undocumented sources of income	30	
	Foreign National / Dual National	50	
	Customer where beneficial ownership is separate to him/her.	15	
Locations (Geography)	Identified as High-risk jurisdiction by the FATF	50	
	Identified as High-risk jurisdiction by the NRA	50	
	Locations having higher levels crime, corruption/criminal activity or considered as Tax Heaven or subject to sanctions.	30	
	Non-Resident	55	
	Residential address are quite distant from business location	15	
Product/ Transaction Risk	Any other suspicious behavior or attributes shown by customer.	15	
	Sahulat A/c	5	
	Normal A/c	10	
	Non- face-to-face	50	
	Refusal from any other financial institution	15	
	Cross border correspondent financial institutions relationships	50	
PROPOSED RISK LEVEL		Low/Medium/High	
*Reason for Marking HIGH/MEDIUM/LOW :			

ILLUSTRATIVE TABLE FOR IDENTIFICATION OF PEPs:

Head of State/ Government / Province	Senior Politicians	Federal & Provincial Government Official
President & Governors	Chairperson/ President/ Founder of the Political Party	MNAs, MPAs & SENATORS
Prime Minister & Chief Minister	Deputy Chairperson/ Vice President of the Political Party	Federal Minister & Provincial Minister
Chairman - Senate	Secretary/ General Secretary of the Political Party	Advisor to the President/ Prime Minister/ Federal Minister/ Chief Minister/ Provincial Minister & Governor
Speakers & Deputy Speakers - National Assembly & Provincial Assembly	Convener/ Deputy Convener of the Political Party	Federal Secretary & Provincial Chief Secretary
Army Officials	Navy Officials	Air force Officials
General	Admiral	Air Chief Marshal
Lieutenant General	Vice Admiral	Air Marshal
Major General	Rear Admiral	Air Vice Marshal
Brigadier	Commodore	Air Commodore
Local Government Official	Judiciary Officials	Other Government Official
Elected Representative of Union Council	Chief Justice - Supreme Court/ High Court	Head of Autonomous Federal Department/Agency/ Organizations/ Committee (ISI, MI, IB, FIA, SECP, NAB, SBP, PEMRA, OGRA, FBR, PTA, NBP, CPEC etc.)
Mayor & Deputy Mayor/ City Administrator & Deputy Administrator	Judge - Supreme Court/ High Court	Inspector General of Police and other police officers with BPS-20 or above grade.
Councilors	District or Session Judge/ Civil Judge Cum Judicial Magistrate	Federal & Provincial Government Officer with BPS-20 or above Grade
Local Government Officer with BPS-20 or above Grade	Registrar - Supreme Court/ High Court	Ambassador, Council General, Civil and Military Attaché)

List of countries / regions in War Zone and/or have not been recognized by Pakistan and/or have no bilateral/trade/diplomatic relations.

SR #	AREAS/ REGIONS/ COUNTRIES	REASON
1	Syria & Afghanistan	Ongoing war between Taliban and USA & Allies. International insurgencies from Russia, Iran, USA etc.
2	Palestine	War between Palestine & Israel
3	Israel	War between Palestine & Israel and Non recognition of Israel by Pakistan.
4	Yemen	Ongoing war of KSA & Allies with Houthis. International insurgencies from Russia, Iran, USA etc. No proper Government.
5	Myanmar	Civil War
6	Libya	Civil War and international insurgencies from Turkey, USA, France and others.
7	India	No trade ties at government levels.
8	Armenia	Non recognition of Armenia by Pakistan.