

# KTRADE SECURITIES LIMITED

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## **ANTI MONEY LAUNDERING, COMBATING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING**

### **POLICY AND PROCEDURES**

**UPDATED IN LINE WITH**

**THE SECP (ANTI MONEY LAUNDERING, COMBATING THE FINANCING OF TERRORISM  
AND COUNTERING PROLIFERATION FINANCING)**

**REGULATIONS, 2020**

**ESTABLISHED UNDER**

**ANTI MONEY LAUNDERING ACT, 2010**

**DEVELOPED UNDER**

**THE SECP GUIDELINES ON ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM  
AND PROLIFERATION FINANCING**

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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
Policy Owner	Compliance Department
Review Frequency	Annually or as and when need arises
Version	4.0
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	



**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 on Risk Based Approach amended from time to time, NRA 2023.

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 KTRADE ML/TF/PF risk management approach to identify, assess, manage and mitigate these risks on an ongoing basis.

KTRADE 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 / CPF 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 KTRADE 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/CPF 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
<b>CHAPTER –II – RISK ASSESSMENT AND MITIGATION</b>	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.
<b>Regulation-4 Risk Assessment</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• This regulation also prescribes appropriate steps for identifying, assessing and understanding ML/TF risks.</li> <li>• The regulated person must document risk assessments, consider relevant risk factors, keep assessments updated, categorize overall</li> </ul>



	risk as high, medium, or low, and ensure mechanisms are in place to provide risk assessment information to the Commission.
<b>Regulation-5</b> <b>Risk Mitigation and Applying Risk Based Approach</b>	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.
<b>Regulation-7</b> <b>New Products, Practices and Technologies</b>	<ul style="list-style-type: none"> <li>• Identification and assessing ML and TF Risk that may arise in relation to New Products and Business Practices, use of new or developing technologies.</li> <li>• This Regulation prescribes undertaking risk assessment prior to launch of products, practices and technologies and taking measures to manage and mitigate their risks.</li> <li>• The Regulation also covers paying special attention to new products, business practices and new technologies that favor anonymity.</li> </ul>
<b>CUSTOMER DUE DILIGENCE (CDD) AND BENEFICIAL OWNERSHIP</b>	
<b>Regulation -8</b> <b>Customer Due Diligence</b>	<ul style="list-style-type: none"> <li>• 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 <b>before, during or after</b> course of establishing a business relationship.</li> <li>• CDD measures for understanding and obtaining information on the purpose and intended nature of business relationship.</li> <li>• 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.</li> <li>• This Regulation covers the requirement of documents as per Annexure-I.</li> <li>• Prohibitions from establishing business relationship with entities and /or individuals that are <b>DESIGNATED</b> under UNSCR adopted by Govt. of Pakistan, <b>PROSCRIBED</b> under Anti-Terrorism Act, 1997 and associates/facilitators of <b>DESIGNATED / PROSCRIBED</b> entities/individuals.</li> <li>• Steps to determine the Person acting on behalf of a Customer including Authority, Identification and Verification of Authorized</li> </ul>



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



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



	<p>by Customer having High Risk or notified as having High Risk by SECP.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Requirement of Internal Risk Management Systems, Policies, Procedures and Controls for determining a Customer as PEP.</li> <li>• 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"> <li>○ In case of foreign PEPs; and</li> <li>○ In case of domestic PEPs posing High Risk in business relationship in addition to other requirement of these regulations.</li> </ul> </li> <li>• EDD Measures are applicable on family members and close associates of all PEPs.</li> </ul>
<p><b>Regulation – 22</b></p> <p><b>Counter Measures Against High-Risk Countries</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Regulation - 23</b></p> <p><b>Simplified Due Diligence</b></p>	<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"> <li>• Decision to rate Low Risk a customer to justified in writing.</li> <li>• Low Risk cases may include: <ul style="list-style-type: none"> <li>○ RP and Banks subject to combat ML and TF requirements consistent with FATF recommendations and supervised.</li> <li>○ Public Listed companies.</li> <li>○ Insurance policies where annual premium is less than Rs. 100K or single premium is less than Rs. 250K.</li> <li>○ Group Insurance policies</li> <li>○ Pension superannuation or similar scheme providing retirement benefits to employees.</li> <li>○ Financial products or services.</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>• SDD measures include reducing identification updates, degree of ongoing monitoring and scrutinizing transactions and non-collection of specific information.</li> </ul>
<p><b>Regulation – 24</b></p> <p><b>Reliance on Third Parties</b></p>	<ul style="list-style-type: none"> <li>• Obtaining of identification information, beneficial ownership and/or business nature.</li> <li>• Provision of copies of identification data and other documents relating CDD requirement without delay.</li> <li>• Third party is regulated and supervised or monitored for.</li> <li>• Confidentiality and non-disclose agreement.</li> <li>• In case of third party of same financial group, CDD and record-keeping requirements and programs against ML and TF.</li> <li>• Ongoing monitoring and ultimate responsibility of AML/CFT obligation of RP.</li> </ul>
<p><b>TFS OBLIGATIONS</b></p>	
<p><b>Regulation – 25</b></p> <p><b>TFS Obligation</b></p>	<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"> <li>• 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.</li> <li>• In case of positive or potential match, SB shall immediately: <ul style="list-style-type: none"> <li>○ Freeze relevant funds and assets, block transaction without prior notice;</li> <li>○ Prohibit from making any funds or other assets, economic resources, or financial and other services and funds;</li> <li>○ Identify Red Flags/indicators for detecting individuals acting on behalf of designated/proscribed entities.</li> <li>○ Reject the transaction or attempted transactions or the customer.</li> <li>○ File a STR to FMU and notify the Commission;</li> <li>○ Implement any other obligation under AML Act 2010, UNSC Act and Anti-Terrorism Act and any other regulations made the under.</li> </ul> </li> </ul>



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



	report to Commission.
<b>Regulation – 30</b>	Measures to performed when forming a correspondent relationship:
<b>Correspondent Relationship</b>	<ul style="list-style-type: none"> <li>• Assessing the suitability of respondent FI;</li> <li>• Understanding and documenting the respective AML/CFT responsibilities of FI and respondent FI.</li> <li>• Accessing respondent FI in context of sanctions/embargoes and Advisories about risk;</li> <li>• Approval from Senior Management before providing correspondent service to new FI.</li> <li>• Documentation of the basis of satisfaction.</li> <li>• Not entering or continuing correspondent relationship with Shell FI.</li> </ul>

**3. SECP GUIDELINES FOR IMPLEMENTING AML/CFT REGULATIONS:**

**3.1 FIRST VERNON OF SECP GUIDELINES ON ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM, AND PROLIFERATION FINANCING, 2021**

In addition to the AML/CFT Regulations, the SECP issued its first Guidelines on **January 2021** on Implementation of AML/CFT Framework under the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 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 KTRADE s for achieving the objective of financial inclusion and strengthening the controls related to Money Laundering (ML)/ Terrorist Financing (TF) risks.

**3.2 NATIONAL ASSESSMENT AND OVERVIEW OF THE NATIONAL SETTING FOR ML/TF THREATS AND VULNERABILITIE**

3.2.1 The Company has updated its Risk-Based Assessment (RBA) document to align with the AML Act, AML Regulations 2020, SECP and PSX directives, regulatory awareness sessions, and the National Risk Assessment 2023 (NRA 2023). This document addresses national ML/TF threats and vulnerabilities, including those specific to the Securities Sector. It enables the Company to assess ML/TF risks across geography, delivery channels, customers, and products/services, ensuring appropriate risk mitigation controls are implemented.

(a) Pakistan's geographic landscape and porous borders significantly heighten its vulnerability to money laundering (ML) and terrorism financing (TF), particularly through cash smuggling. Its strategic location and shared borders with India (3,171 km), Afghanistan (2,600 km), and Iran (909 km) expose the country to risks associated with predicate crimes such as drug and human trafficking, cash couriers, and illegal trade. As a transit country for drugs and precursor chemicals, Pakistan facilitates routes where funds often bypass the transit region. Moreover, its 1,001 km coastline remains susceptible to smuggling and illicit trafficking, with frequent apprehensions of trespassers underscoring the ongoing challenge.



- (b) According to UNHCR statistics, as of June 30, 2022, Pakistan hosts approximately 1.3 million registered Afghan refugees, with around 20% aged 18-59. The majority reside in KPK (52.2%) and Balochistan (24.5%), heightening ML/TF vulnerabilities in these provinces. Additionally, the former Federally Administered Tribal Area (FATA) has served as a hub for domestic and foreign terrorist organizations, which have carried out politically motivated attacks on civilians, military, and paramilitary forces.
- (c) Countering terrorism and terrorism financing (CTF) remains Pakistan's top priority, reflected in its CTF-focused policies and controls. In 2022, Pakistan was the second most impacted country in the region, with terrorism and its financing continuing to pose significant risks. These challenges have been exacerbated by the unstable political situation in Afghanistan, which has led to a heightened impact of terrorism in 2021 and 2022.
- (d) Pakistan faces significant challenges with Afghan refugees and internally displaced persons (IDPs). Ranked 150th out of 189 countries in the 2018 Human Development Index by UNDP, nearly 39% of Pakistanis live in multidimensional poverty, with stark regional disparities. Poverty incidence exceeds 70% in former FATA and Balochistan, compared to around 30% in Punjab and Azad Jammu and Kashmir. Urban poverty stands at 9.3%, while rural poverty is 54.6%. Such socioeconomic vulnerabilities are often exploited by money launderers, particularly through identity theft. The border regions of Khyber Pakhtunkhwa and Balochistan are characterized by high population mobility due to shared cultural and familial ties, which also create opportunities for sub-nationalists, hostile agencies, and other adversarial groups.
- (e) In Pakistan, person-to-person charity, including khairat, sadqa, zakat, and support for orphans, widows, or religious organizations, is deeply rooted in socio-economic and religious culture. Donations are the primary funding source for most NPOs, creating significant risks, particularly for transnational fund transfers. Reports indicate that many terrorist organizations exploit legitimate sources, such as fundraising and donations, to secure funding.
- (f) The Pakistan Demographics Survey 2021 reports a literacy rate of 61.38%. Combined with high poverty, this low literacy level increases youth vulnerability to illegal activities, including recruitment by criminal and terrorist organizations.
- (g) With a per capita income of around USD 1,660 in 2022, Pakistan is classified as a lower-middle-income country by the World Bank. Slow GDP growth limits employment opportunities for its growing youth population, increasing their vulnerability to criminal exploitation. The unemployment rate was estimated at 4.4% in 2021.
- (h) By 2022, internet penetration in Pakistan reached 51%, with 116 million users, up from 133,900 in 2000. This growth, along with increased social media exposure, has heightened risks of exploitation by fraudsters and the spread of extremist ideologies, including through crowdfunding. Enforcement data shows the use of encrypted Person-to-Person apps for illegal MVTs. The widespread use of fake accounts and VPNs complicates monitoring efforts by law enforcement agencies, making social media and special applications highly vulnerable to ML/TF risks.
- (i) Laundered proceeds routed through third countries may eventually return to Pakistan for integration. These funds often pass through unauthorized and illegal channels, such as hawala/hundi and cash couriers, which are high-risk for money laundering (ML). Legal channels are also exploited via Benami accounts, trade-based money laundering, investments in vulnerable products like prize



bonds, and unregulated sectors such as real estate. Criminal proceeds may follow various routes in and out of Pakistan.

- (j) Pakistan faces significant terrorism financing (TF) threats, both domestic and external. The assessment of TF focuses on financial flows, sources, and channels, identifying whether funds are generated within Pakistan or abroad, and the sectors exploited for TF, such as hawala and cash couriers. The porous borders with Afghanistan and Iran, along with the presence of Afghan refugees, contribute to illegal activities like smuggling, drug trafficking, and TF. Hostile external borders, sectarian violence, and the exploitation of NPOs also increase the risk. Both domestic and international funds are used to support terrorist organizations within Pakistan, making it a key concern for counter-financing of terrorism efforts.
- (k) According to the NRA 2023, no terrorism financing (TF) violations have been observed in Pakistan's securities market. The TF screening mechanism in the brokerage industry operates in three tiers: brokers screen their customer database, NCCPL conducts independent screening of all brokers' customer data, and the CDC screens shareholders' data. As all transactions in the securities markets are routed through banking channels, and the primary focus is on securities investment, the TF risk in this sector is considered low. Additionally, law enforcement agencies (LEAs) and the FMU have found no incidents or suspicions of TF related to the securities or commodities markets.
- (l) **PRODUCTS:** The four active products in Pakistan's Securities Market sector—Ready Market, Deliverable Futures Contracts, Margin Trading System (MFS), and Securities Lending and Borrowing—are potentially vulnerable to money laundering (ML) and terrorism financing (TF) activities. These products could be used to layer or integrate illicit funds or transfer value to terrorists. However, several factors mitigate these risks, including regulatory requirements for customer due diligence (CDD), frequent inspections by regulators, transactions routed through banking channels, restrictions on third-party payments, and limitations on cash withdrawals exceeding Rs 25,000. Furthermore, securities brokers cannot make withdrawals to third parties or foreign jurisdictions. According to NRA 2023, the securities market faces a low TF threat, and LEAs and the FMU have found no TF-related incidents in this sector. The ML/TF risks are more influenced by factors such as new payment methods, delivery channels, and the geographic location of customers. Thus, the products in the securities market pose a low ML/TF risk
- (m) **GEOGRAPHY:** The geographic assessment of the Securities sector considers non-resident customers from high-risk jurisdictions (FATF and financial institutions), residents from high-risk areas in Pakistan (such as KPK, Balochistan, Gilgit/Baltistan, and Azad Jammu & Kashmir), and non-residents from FATF-compliant countries. The sector is mostly local, with 80% of brokers' branches in Karachi, Islamabad, and Lahore. The customer distribution includes 12,596 in KPK, 389 in FATA, 141,898 in Sindh, 2,480 in Balochistan, 11,189 in Islamabad, 309 in Gilgit/Baltistan, and 1,636 in Azad Jammu & Kashmir. Approximately 10,000 non-resident investors, mostly from the Middle East, USA, and Europe, invest through Roshan Digital Accounts (RDA). Branches near porous borders and businesses in such areas increase ML/TF risks. Additionally, 15,465 customers from high-risk jurisdictions and foreign corporate clients with complex ownership structures contribute to these risks.
- (n) **DELIVERY CHANNELS:** Customer onboarding in the securities market is conducted face-to-face with no anonymity, and all transactions (deposits and withdrawals) must be made through banking channels. Securities are electronically stored in the central depository and settled through the NCCPL, with no bearer securities in circulation. Cash transactions are limited to PKR 25,000. Key factors in assessing delivery channels include regulatory requirements for customer due diligence (CDD), restrictions on third-party payments, and limits on cash transactions. Withdrawals cannot be



made to third parties or foreign jurisdictions, and no remittance is accepted from abroad in foreign currency. According to NRA 2023, the securities market faces a lower TF threat, with no TF-related incidents found by LEAs or the FMU.

- (o) **CUSTOMERS-LEGAL:** Pakistan has 198,738 registered legal persons, mostly consisting of small, domestic, private limited companies. While the corporate sector generally has a low inherent vulnerability due to its small size and domestic focus, ML/TF threats remain significant in Pakistan, with instances where legal entities have been used for illicit activities. Legal arrangements, such as trusts and Waqf, are recognized globally as vulnerable to ML/TF abuse and pose additional risks in the country.
- (p) **NPOs:** The abuse of NPOs for terrorist financing (TF) remains a significant threat in Pakistan, both domestically and externally. Several cases confirm the sector's vulnerability to TF abuse, with terrorist organizations misusing NPOs to pose as legitimate entities, exploit them as conduits for TF, or divert funds intended for legitimate purposes to support terrorism. As a result, a large portion of the NPO sector in Pakistan is inherently vulnerable to TF, contributing to a high overall TF risk.
- (q) **Charities:** The Company will not accept customers that operate as unregistered charities or those that fail to obtain registration or licensing under any existing regulatory framework.
- (r) **Private Limited Companies:** As of June 30, 2022, Pakistan had 135,095 multi-member and 29,188 single-member private limited companies, with 90% registered in major cities. Companies with paid-up capital under ten million rupees are classified as small and exempt from filing audited financial statements. Private companies are vulnerable to misuse for money laundering (ML) and terrorist financing (TF), particularly those with complex ownership structures, foreign entities as shareholders, or inactive status. Companies near porous borders are at higher risk, as they may involve proscribed individuals or be exploited for terrorist financing. Export-oriented companies with international ties also face elevated risks, leading to a "Very High" risk rating for private limited companies.
- (s) **Foreign Companies:** As of June 30, 2022, Pakistan had 1,084 foreign companies, mostly operating in major cities. Around 24% are in the Engineering and Fuel & Energy sectors. These companies are exposed to money laundering (ML) and terrorist financing (TF) risks, particularly if they have operations in high-risk jurisdictions or if their shareholders or directors are based in such areas. Some 160 foreign companies have principal operations in FATF high-risk jurisdictions. Due to these factors, foreign companies are considered "Very High" risk for ML/TF exploitation.
- (t) **PEPs:** NRA 2023 has determined the risk of corruption and therefore the risk of providing financial services to Politically Exposed Persons ("PEPs") is high. As per NRA 2023, Politically Exposed Persons (PEPs) are higher-risk due to their influence, access to privileged information, and potential for bribery, corruption, or market abuse.
- (u) According to NRA 2023, 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 2023 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.



- (v) **Designated Non-Financial Businesses and Professions (DNFBPs):** The DNFBP sector comprises real estate dealers, dealers in precious metals and stones (mostly jewelers), auditors and accountants, lawyers and notaries.
- (w) **Real Estate Agents:** The real estate sector in Pakistan, a major employment generator, is vulnerable to money laundering (ML) and terrorist financing (TF) due to its complex nature and high-value transactions. As of June 30, 2022, 40,833 actors, mostly sole proprietors, operate in the sector, including developers, agents, and brokers. The sector deals with a wide range of products, including residential and commercial properties, agricultural land, and luxury properties, all of which are highly susceptible to ML/TF risks due to high demand and cash-intensive transactions. Real estate is often used for parking proceeds of crime from fraud, corruption, human trafficking, and other illicit activities.

While TF risk is lower than ML risk, instances of proscribed entities being linked to real estate businesses highlight the sector's vulnerability for funding terrorism. Real estate clients include both domestic and foreign investors, often including high-net-worth individuals (HNWIs), politically exposed persons (PEPs), and those from cash-intensive businesses. Many transactions occur in high-risk areas, such as southern Punjab and border regions of KP and Balochistan.

Key vulnerabilities include cash-based transactions, speculative activities, non-face-to-face deals through web-based platforms, and complex ownership structures, such as properties registered in the names of local or foreign agents. Given these factors, the real estate sector's overall risk rating is classified as "Very High."

- (x) **Dealers Of Precious Metals And Stones (DPMS):** The gold and precious gemstone sector in Pakistan, which involves miners, dealers, refiners, and retailers, is highly vulnerable to money laundering (ML) and terrorist financing (TF) due to its high turnover and cash-intensive nature. Gold bars, due to their high value and ease of liquidation, pose significant ML/TF risks, and the sector attracts politically exposed persons (PEPs), high-net-worth individuals (HNWIs), and cash-intensive businesses. Smuggling, particularly along the Pak-Afghan border, adds another layer of risk. Key vulnerabilities include high-value, anonymous cash transactions, links to hawala/hundi networks, and unregistered dealers. Consequently, the sector's overall risk rating is classified as "High."
- (y) **Accountants:** These firms are supervised by the FBR, ICAP, and ICMAP, with most being sole proprietors. The sector's involvement in AML/CFT activities is limited, with low transaction volumes and minimal engagement with high-risk geographies or foreign clients. While TCSP services to legal persons (LPs) with complex structures present some ML/TF risks, the overall business volume is small. The sector uses formal banking channels and face-to-face transactions, leading to a "Low" vulnerability rating.
- (z) **LAWYERS & LAW FIRMS:** These services, such as company formation and trust services, are mostly provided by lawyers registered under the Intermediaries Registration Regulations 2017. The clientele consists mainly of companies, asset management companies (AMCs), and some high-risk individuals like PEPs and HNWIs. Services are offered domestically in urban areas, particularly Karachi, Lahore, and Islamabad, with limited presence in high-risk regions. Transactions are typically face-to-face and involve banking channels, minimizing anonymity. Given the low volume of services with ML/TF risks and the regulatory improvements since 2019, the sector's overall ML/TF vulnerability is considered "low."



(aa) For low risk environment, RP may assess risk by only considering the Likelihood of ML/TF/PF activity involving its identification combined with business experience, and guidance available through SECP, NRA 2023, and FATF.

(bb) 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 2023.

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

### 3.3 **The Securities and Exchange Commission of Pakistan has issued Notification S.R.O. 1356 (I)/2023, amending the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020.**

3.3.1 This is a summary of the amendments made to the SECP's Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Regulations, 2020, as published in S.R.O. 1356(I)/2023. These amendments align regulatory provisions with international standards, enhance procedural clarity, and address the evolving requirements in combating money laundering, financing of terrorism, and proliferation financing.:

(a) **Updated Terminology:** The terms "section" and "sub-section" in the regulations have been replaced with "regulation" and "sub-regulation" for consistency with regulatory drafting practices. The abbreviation now explicitly includes "Countering Proliferation Financing (CPF)", Defined as the financing of proliferation of weapons of mass destruction, ensuring alignment with global anti-proliferation measures.

(b) **Updated Definitions:** A Court-Appointed Manager refers to: "An individual designated by a competent court to manage and operate the financial accounts and affairs of a mentally disordered person, as per the applicable laws governing mental health.

(c) **Relying on a third-party:** New measures specify how regulated persons may rely on third parties for conducting CDD. Despite delegation, the regulated person remains liable for any CDD failures, must obtain required information from the third-party, ensure timely access to identification data and documentation, and verify that the third-party is supervised by an AML/CFT authority and compliant with AML Act obligations.

(d) **Mentally Disordered Person Accounts:** For accounts of mentally disordered persons, regulated persons must obtain and verify: valid identity documents, court orders appointing managers, biometric verification from NADRA, and court order verification. The account will be opened in the mentally disordered person's name, operated by the court-appointed manager, and all CDD requirements must be completed for both individuals. Additionally, CDD must be conducted anew for any newly appointed manager.

(e) **Foreign Branches and Subsidiaries:** Foreign branches and subsidiaries must implement AML/CFT measures consistent with Pakistan's regulations, provided host country laws permit. If host laws prevent compliance, appropriate risk management measures must be applied, and the SECP must be informed.



- (f) **Document and Annexure Updates:** The term “photocopy” is replaced with “copy” to reflect modern documentation standards. For minors: "Form-B/Juvenile Card" is now updated to include Child Registration Certificate (CRC). For mentally disordered persons: Additional requirements for identity and court order verification. For trade bodies: Introduction of membership proof as an optional document.
- (g) **Technical Adjustments:** Minor linguistic improvements, such as replacing "identify" with "identity of," to avoid ambiguity.
- (h) **Specific Enhancements in Anti-Proliferation Financing:** Regulations now explicitly cover proliferation financing, aligning SECP regulations with international requirements, particularly those of the FATF.
- (i) **Strengthened CDD Requirements:** Customer due diligence requires verifying customer identity through reliable sources, identifying and verifying beneficial ownership, and understanding the ownership and control structure. Additionally, financial institutions must understand the purpose and intended nature of the business relationship, obtaining relevant information as needed.

3.3.2 In compliance with the amendments introduced through S.R.O. 1356(I)/2023, issued by the Securities and Exchange Commission of Pakistan (SECP) under the Anti-Money Laundering Act, 2010,, KTRADE 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 KTRADE 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 KTRADE’s AML/CFT Policies, Procedures and Controls provide the mechanism to KTRADE 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 KTRADE in applying national AML/CFT measures. KTRADE’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 **KTRADE SECURITIES LIMITED** to effectively mitigate the risks of ML / TF/ PF. As KTRADE 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 2023 (“**NRA 2023**”) 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 KTRADE for money laundering activities from any of its branch or channel.
- (b) To safeguard KTRADE 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:**

KTRADE has implemented the following measures to mitigate risks associated with Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF):

- (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 KTRADE.
- (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 KTRADE s (Licensing and Operations) Regulations, 2016 (the “**Broker Regulations**”), KTRADE 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 KTRADE s 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 KTRADE s 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 KTRADE s Regulations.

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

- (a) KTRADE shall put in place effective and operationally independent Internal Audit function/department having appropriate trained and competent staff.
- (b) Conduct an **annual AML/CFT/CPF audit** to assess compliance with AML/CFT policies and procedures, with audit frequency adjusted based on periodic **risk assessments**.
- (c) Focus audits on **high-risk areas, products, and services**, ensuring a targeted evaluation of **money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks**.
- (d) Focus audits on **high-risk areas, products, and services**, ensuring a targeted evaluation of **money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks**.
- (e) Evaluate employees' **knowledge of AML/CFT laws, policies, and procedures**, while ensuring **training programs are adequate, accurate, and effective**.
- (f) The Internal Auditor/Internal Audit function shall directly report to the Board of Directors or its Audit Committee as prescribed under KTRADE s Regulations.

- (g) The Internal Audit function shall be headed by a dedicated or designated head of Internal Audit possessing relevant qualification and experience.
- (h) The Audit Committee, if established by the Board shall be responsible to monitor and review the effectiveness of Internal Audit function/department.
- (i) Internal Audit Function can be outsourced to third party through the policies and procedures in relation to outsourcing.
- (j) KTRADE shall conduct Due Diligence of Outsourcing Service Provider (OSP) as Fit and Proper to perform the audit activity that is being outsourced.
- (k) KTRADE shall have written Outsourcing Agreement clearly sets out the obligations of both parties.
- (l) KTRADE shall develop a contingency plan and strategy to exit the arrangement in the event that OSP fails to perform the outsourcing activity as agreed.
- (m) Detailed JD of internal auditor is attached as Appendix-B to this policy.
- (n) KTRADE shall be ultimate responsible for meeting AML/CFT requirements.

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

KTRADE 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 be 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 KTRADE 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)

The company will apply Enhanced Due Diligence (EDD) for customers presenting high ML/TF risks, including:

- Business relationships or transactions with higher ML/TF risks.
- Customers from FATF-identified high-risk countries.
- PEPs, their associates, and family members.

Upon performing the KYC/CDD/SDD, if any of the customer is identified as “HIGH RISK”, KTRADE shall perform its Enhanced Due Diligence (EDD). The EDD process shall be covered by following way(s):

- 1) Approval from the CEO/ Senior Management for opening/ maintaining business relationship with the High Risk customer.
- 2) May obtain additional documentation on source of income/ funds.
- 3) Enhanced on-going monitoring.
- 4) May cross check profile through publicly available from open sources like LinkedIn and google search
- 5) Updating more regularly the identification data of applicant/customer and beneficial owner.
- 6) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.
- 7) Accounts with correspondence restrictions carry additional risk, and the company will exercise due caution in managing such accounts.

In addition to HIGH RISK accounts, KTRADE 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.

## 10 RISK BASED ASSESSMENT (RBA) AND MITIGATION

### 10.1 RISK ASSESSMENT:

KTRADE 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-F**” 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**

KTRADE 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 / ARC;
- (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 etc**) to mitigate the risk(s) attached with non-face-to-face prospective customer(s) and establish identity of the client.

Moreover, the management may rely on third parties i.e. Central Depository Company Ltd, National Clearing Company of Pakistan Ltd, Banking companies or any other SECP / SBP regulated entity 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. 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 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 KTRADE 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/UNSC/NACTA.
- (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 in line with SECP directive on use of Biometric Technology.
- (g) Further, name clearance should also be obtained against sanctioned lists by searching in back-office software or NACTA website & UNSCR website.

**(e) CDD FOR EXISTING CUSTOMERS:**

- 10.2.e.1 The Ktrade will apply CDD requirements to existing customers based on materiality and risk, conducting due diligence as needed while considering past CDD measures and the adequacy of previously obtained data.
- 10.2.e.2 For existing customers with old NICs, the company will ensure attested identity documents are on record. Accounts without identity documents will be blocked for withdrawals after a one-month notice, until regulatory requirements are met. The block will be lifted upon submission and verification of the attested identity document via NADRA or biometric verification.
- 10.2.e.3 Withdrawals from dormant or inoperative accounts will not be allowed until the account is reactivated upon the customer's request. Reactivation requires NADRA Verisys or biometric verification,



submission of an attested valid identity document (if not already provided), and fulfillment of regulatory requirements. An account is considered dormant or inoperative if no activity has occurred in the past three years.

**(f) TARGETED FINANCIAL SANCTIONS (TFS) MANAGEMENT**

In order to comply with the Targeted Financial Sanctions regime, the management will devise effective system and controls to safe guard KTRADE from being exploited by the terrorists for TF/PF. In this regard, all the relationships (A/c holders, joint A/c holders, 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 KTRADE shall be screened on periodic basis. SROs as and when uploaded on the <https://www.leap.secp.gov.pk> shall be screened and reported with 48 hours and evidence of screening and reporting shall be kept in soft/hard forms. Whereas before establishment of business relationship (opening of account) all account holder, joint account holder (s), nominee,beneficial owner(s), director(s), trustee(s) and/or authorized person(s) shall be screened against the list available of proscribed persons on NACTA and/or UNSCR.

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, KTRADE shall take following actions:

- Freeze funds and assets immediately without prior notice. (if account is already opened)
- Prohibit financial transactions and services to designated/proscribed persons.
- Reject transactions or Refusing to establish or maintain relationship (if it's an expected customer)
- Reporting of STR/ATR with FMU
- Reporting to SECP & other regulator (if applicable)

**Document and maintain screening results against:**

- "Al-Qaida and Taliban-related entities/individuals" from the UNSC Consolidated List.
- "Proscribed persons/organizations" from UN/NACTA lists.

**(g) ACCOUNTS AND TRANSACTIONS MONITORING:**

The Compliance / Operations Department shall update expected monthly credit turnover limits in the system and/ or revise CDD profile of customer(s) as per guidelines for ongoing review as required under applicable SECP AML CFT Regulations/guidelines while, the basis of revision shall be documented and customers may be consulted, if necessary.

Such limits will be maintained to make sure that all transactions are consistent with KTRADE's knowledge of the customer, its business and risk profile and are conducted in accordance with the SECP AML / CFT regulations for KTRADE, instructions of Financial Monitoring Unit (FMU) and other applicable local /international bodies.



Financial transactions should be monitored through automated Transaction Monitoring System (TMS) based on predefined scenarios and thresholds.

KTRADE shall assess the deposit amounts of clients for transaction monitoring purposes. 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)
- 2) Filing STR with FMU.
- 3) Account closure shall be subject to approval by senior management.

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

- 4) Frequent cash deposits by client.
- 5) 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 KTRADE 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, KTRADE 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 KTRADE '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 KTRADE 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.

KTRADE 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 policy". While if the customer deposits cash by himself beyond the prescribed limit of Rs.25,000 KTRADE shall immediately (within 24 hours) report this to Pakistan Stock Exchange (PSX).



If the company decides that a disclosure should be made, the law require the company to report STR promptly (without delay) to the FMU, in standard form as prescribed under AML Regulations 2008. The STR prescribed reporting form can be found on FMU website through the link [http://www.fmu.gov.pk/docs/AML\\_Regulations-2008.pdf](http://www.fmu.gov.pk/docs/AML_Regulations-2008.pdf).

The company shall should maintain register of all reports made to the FMU. Such registers should contain details of:

- the date of the report;
- the person who made the report;
- the person(s) to whom the report was forwarded; and
- Reference by which supporting evidence is identifiable.

**(h) Monitoring AML/CFT/CPF Systems and Controls**

Management shall utilize back-office software to monitor evolving ML/TF risks, updating systems as necessary to address changes in customer behavior, technology, sanctions, and other risk factors.

(i) The company shall assess the effectiveness of risk mitigation measures by monitoring:

- Changes in customer profiles or transaction behavior,
- Potential abuse of products/services for ML/TF,
- Employee training and awareness,
- Internal coordination between AML/CFT/CPF compliance and other functions,
- Compliance arrangements (e.g., internal audit),
- Regulatory changes, and
- Country risk profile changes.

(ii) Account monitoring shall combine automated systems with vigilant staff trained in AML/CFT/CPF compliance.

(iii) The company shall maintain systems proportional to its size and risk exposure to prevent, detect, and report ML/TF, including:

- Risk identification and sanctions screening,
- Risk-Based Approach (RBA) procedures,
- ML/TF controls and risk management,
- Customer due diligence and record-keeping,
- Independent audit testing,
- Employee screening and training programs.

(iv) Senior management is responsible for ensuring effective systems are in place to prevent and report ML/TF, in compliance with regulatory requirements and this policy.



**11 ON-GOING MONITORING OF BUSINESS RELATIONSHIPS**

- 11.1 Once a business relationship is established, the company will monitor its conduct to ensure consistency with the stated business nature. Ongoing monitoring will keep due diligence updated and adjust customer risk profiles as needed.
- 11.2 Ktrade shall conduct ongoing due diligence on the business relationship, including:
- 11.3 The Ktrade will monitor transactions to ensure they align with the customer’s profile, business, and risk level, including verifying the source of funds if necessary. This monitoring acts as enhanced due diligence on a pre-transaction basis, comparing client deposits and investments against their profile.
- 11.4 The Ktrade will investigate and document the background and purpose of complex or unusual transactions with no apparent lawful purpose, making this information available to relevant authorities when required. Customer profiles will be updated based on CDD, with the basis for revisions documented.
- 11.5** The company will regularly review and update records, ensuring that documents and information collected for CDD purposes remain current and relevant, especially for higher-risk customers.
- 11.6** In addition to ongoing monitoring, the company will update customer CDD records during periodic reviews (annually) or upon a triggering event, whichever occurs first. Triggering events include:
  - Significant changes in the customer’s risk profile or account activity
  - Insufficient or significant new information about the customer
  - Major transactions or changes in customer documentation
  - Significant changes in the business relationship
  - Suspicion of ML/TF activities.

Examples of such events include new products, increased deposits, a customer being designated as a PEP, or changes in transaction nature, volume, or size.

**12 SIMPLIFIED DUE DILIGENCE (“SDD”) MEASURES:**

- 12.1 KTRADE may conduct SDD in case of Low Risk identified in line with NRA 2023. KTRADE should pay attention to the level of Risk assigned in the latest NRA 2023:
  - (a) To relevant sector;
  - (b) To relevant customer type; and
  - (c) To activity
- 12.2 KTRADE 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 KTRADE 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:**

KTRADE 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) Identification of PEPs shall be made through a tentative table of PEPs, attached as **“Appendix-H”**.
- (c) 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 CDD done by RPs 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 2023:**

- (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) KTRADE shall be obliged to ascertain whether their customer is a PEP. In assessing the ML/TF risks of a PEP, KTRADE 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) KTRADE 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) KTRADE 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 and as identified by KTRADE during its internal TF risk assessment.

### **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) KTRADE 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 KTRADE 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 KTRADE 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 KTRADE should exercise additional caution, and conduct EDD on individuals and/or entities based in high-risk countries / regions. KTRADE shall consult publicly available information to ensure that they are aware of the high-risk countries/territories. KTRADE shall consider among the other sources, sanctions issued by the UN, the FATF high risk and non-cooperative jurisdictions ([www.fatf-gafi.org](http://www.fatf-gafi.org)), the FATF and its regional style bodies (FSRBs) and Transparency International Corruption Perception Index (TI CPI) ([www.transparency.org](http://www.transparency.org)).

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.



KTRADE shall ensures 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 KTRADE 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:

<b>High Risk</b>	At least Once in a Year or on need basis*
<b>Medium Risk</b>	At Least Once in 3 Years or on need basis*
<b>Low Risk</b>	At least Once in 5 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**

KTRADE 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 (25%) of the issued share capital of the company; or
- (b) Which enables the person to exercise or control the exercise of ten (25%) per cent or more of the voting power at a general meeting of the company.
- (c) A beneficiary of 25% or more of the capital

For Trust, Wakfs and other similar legal arrangements (NGO/NPO), their settlors/ trustee(s)/ protector(s)/ Beneficiaries/ any other natural person having ultimate effective control over the organization may be deemed as UBO and their identity document. Whereas in case if any legal entity is in place of above designation(s), the BO of such legal entity shall be identified.

(a) 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.

(b) A copy of identity document of UBO(s) shall be retained in the record.

**15.3 FOR LEGAL PERSONS / LEGAL ARRANGEMENTS:**



KTRADE 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) KTRADE 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, KTRADE shall take reasonable steps to verify the identity and information depends upon on the risk assessment of the customer.
- (c) KTRADE should assess different levels of ML/TF risks posed by their customers' beneficial owners.

#### **15.4 CUSTOMERS, WHOSE BENEFICIAL OWNERSHIP MUST BE KNOW:**

KTRADE s 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 known Source of Income.
- (e) 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 KTRADE 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, KTRADE 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**

KTRADE shall strictly monitor wire transfers (domestic / cross border) regardless of any threshold. Foreign wire transfers are usually used to hide the actual transactions occurred. KTRADE shall ensure 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**

KTrade shall maintain all records related to Customer Due Diligence (CDD), including identification documents, account opening forms, KYC forms, verification documents, transaction records (domestic and cross-border), business correspondence, and other relevant documents for a minimum of ten years after the business relationship ends. Records related to Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) shall also be retained for at least ten years from the reporting date. Additionally, if a transaction or customer is under investigation for money laundering or terrorism financing, records must be kept until confirmation is received that the matter is concluded.

All CDD information should be properly documented, including digital transcription into the company's IT system for efficient record-keeping and compliance. A list of customers or accounts that were refused or closed due to negative verification shall also be maintained. Transaction records should be sufficient to permit the reconstruction of individual transactions, ensuring they can be used as evidence in case of legal or regulatory proceedings.

Records related to litigation or those required by courts or regulatory authorities shall be retained until instructed otherwise. Additionally, all signature cards, documents indicating signing authorities, and any records surrendered to SECP, exchanges, or law enforcement agencies shall remain in KTrade's records until written confirmation is received that they are no longer required.

## **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. KTRADE 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*.



<b>High Risk</b>	At least Once in a Year <i>or earlier if any happening / event/situation so demands*</i>
<b>Medium Risk</b>	At Least Once in 3 Years <i>or earlier if any happening / event/situation so demands *</i>
<b>Low Risk</b>	At least Once in 5 Years <i>or 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.*

KTRADE 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, KTrade shall implement an Employee Due Diligence (EDD) policy to verify and screen prospective and existing employees, ensuring high ethical and professional standards. Employee screening will be proportionate to the risks associated with specific roles and conducted during recruitment or if suspicions arise regarding an employee’s conduct. The process will include verifying references, employment history, professional memberships, qualifications, regulatory actions, criminal records, and any connections to sanctioned countries or parties to ensure that employees are fit and proper for their roles.

the Compliance Officer shall perform an independent review of the Employee Due Diligence process as per the Company’s HR Manual/Policy. This review will help ensure that all employees have a clean history and meet regulatory and ethical standards. By maintaining adequate screening procedures, KTrade aims to uphold a professional and trustworthy work environment in compliance with SECP AML/CFT regulations.

**20 THREE LINES OF DEFENCE TO COMBAT ML/TF/PF**

The Company shall ensure that the following three lines of defense to combat ML/TF remains established at all material times;

**First Line of Defense: Business Units:**

Business units, including front-office and customer-facing teams, manage day-to-day AML/CFT risks. As part of first line of defense, this policy shall be communicated to all employees, and provide specific guidance on compliance with AML/CFT regulations, including internal procedures for detecting and reporting suspicious transactions.

**Second Line of Defense: Compliance Officer and Compliance Function:**



The Compliance Officer oversees AML/CFT systems, ensures compliance, and reports to the Board/CEO. The CO ensures audits, maintains necessary logs, and responds to regulatory requests.

Third Line of Defense: Internal Audit

Internal audit, the third line of defense, should periodically conduct AML/CFT/CPF audits on company level and be proactive in following up their findings and recommendations.

**21 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.

**22 EMPLOYEES TRAINING**

KTrade will ensure all relevant staff receive regular training on Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) to understand their responsibilities and legal obligations. Training will be conducted at least annually or more often if regulations or business operations change. Staff must confirm they have attended training, read KTrade’s policies, and understand their obligations. Those dealing with customers or processing transactions must be trained to recognize suspicious activities and report them properly.

The Compliance Officer (CO) will receive in-depth training on legislation, internal policies, and reporting suspicious activities. All staff should be aware of KTrade’s policies and their legal liabilities for failing to report suspicious transactions. New employees will be trained on their reporting duties, and KTrade encourages prompt reporting of suspicious activities to comply with all relevant laws.

**23 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.

**24 POLICY REVIEW PERIOD**

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

## 25 AML/CFT CONTROLS

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

1. KTRADE shall not open account from those countries or regions that have been declared blacklist by FATF like North Korea and Iran.
2. KTRADE 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-H**.
3. KTRADE 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-H**.
4. KTRADE 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. KTRADE shall not open account of such client who have no signature on their identity document (CNIC/NICOP/SNIC/SNICOP/PASSPORT).
6. KTRADE shall not open account without CNIC verification from NADRA or Biometric.
7. KTRADE shall not open account if the identity document is INACTIVE in NADRA record.
8. KTRADE shall not open account on expired identity documents.
9. KTRADE shall not open account on expired constitutive documents. (If applicable)
10. KTRADE shall not open account without proper source of income. (Individual clients)
11. KTRADE shall not open account without documents as required in AML/CFT regulations. (Institutional / corporate clients)
12. KTRADE 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 KTRADE 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, **“Sahulat Account”** opening shall be preferred.
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 KTRADE securities or any other broker through KTRADE. Mr. ABC can only transfer securities to his own account with KTRADE or any other broker after verification of identity of accounts.

**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

### **ML/TF Warning Signs/ Red Flags**

- (1) Customers who are unknown to the broker and verification of identity / incorporation proves difficult;
- (2) Customers who wish to deal on a large scale but are completely unknown to the broker;
- (3) Customers who wish to invest or settle using cash;
- (4) Customers who use a cheque that has been drawn on an account other than their own;
- (5) Customers who change the settlement details at the last moment;
- (6) Customers who insist on entering into financial commitments that appear to be considerably beyond their means;
- (7) Customers who accept relatively uneconomic terms, when with a little effort they could have a much better deal;
- (8) Customers who have no obvious reason for using the services of the broker (e.g.: customers with distant addresses who could find the same service nearer their home base; customers whose requirements are not in the normal pattern of the service provider's business which could be more easily serviced elsewhere);
- (9) Customers who refuse to explain why they wish to make an investment that has no obvious purpose;
- (10) Customers who are introduced by an overseas agent based in a country noted for drug trafficking or distribution
- (11) Customer trades frequently, selling at a loss
- (12) Customers who constantly pay-in or deposit cash to cover requests for bankers drafts, money transfers or other negotiable and readily marketable money instruments;
- (13) Customers who wish to maintain a number of trustee or customers' accounts which do not appear consistent with the type of business, including transactions which involve nominee names;
- (14) Any transaction involving an undisclosed party;
- (15) transfer of the benefit of an asset to an apparently unrelated third party, or assignment of such benefit as collateral;
- (16) Significant variation in the pattern of investment without reasonable or acceptable explanation
- (17) Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring/ reporting thresholds.
- (18) Transactions involve penny/microcap stocks.
- (19) Customer requests a securities provider to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial owner), in close chronology.
- (20) Transfers are made to the same person from different individuals or to different persons from the same individual with no reasonable explanation.
- (21) Unusually large aggregate wire transfers or high volume or frequency of transactions are made with no logical or apparent reason.
- (22) Customer invests in securities suddenly in large volumes, deviating from previous transactional activity.
- (23) Customer conducts mirror trades.  
Customer closes securities transaction before maturity, absent volatile market conditions or other logical or apparent reason.



### **Proliferation Financing Warning Signs/Red Alerts**

RPs should take note of the following circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities relating to both DPRK and Iran sanctions regimes:

- (a) customers and transactions associated with countries subject to sanctions;
- (b) instruments that could particularly be used to finance prohibited transactions, such as certain trade financing products and services;
- (c) customers involved with and/or transactions related to items, materials, equipment, goods and technology prohibited by UNSCRs;
- (d) reasonableness of invoiced goods against market value, inconsistency or discrepancies in trade-related documentation.

In particular, RPs should be alert to the following non-exhaustive list of factors that are relevant to the DPRK sanctions regime:

- (a) significant withdrawals or deposits of bulk cash that could potentially be used to evade targeted financial sanctions and activity-based financial prohibitions;
- (b) opening of banking accounts by DPRK diplomatic personnel, who have been limited to one account each under relevant UNSCRs (including number of bank accounts being held, holding of joint accounts with their family members);
- (c) clearing of funds, granting of export credits or guarantees to persons or entities that are associated with trading transactions relating to the DPRK;
- (d) providing insurance or re-insurance services to maritime vessels owned, controlled or operated, including through illicit means, by the DPRK or classification services to vessels which there are reasonable grounds to believe were involved in activities, or the transport of items, prohibited by UNSCRs concerning the DPRK, unless the Security Council 1718 Committee determines otherwise on a case-by-case basis;
- (e) direct or indirect supply, sale or transfer to the DPRK of any new or used vessels or providing insurance or re-insurance services to vessels owned, controlled, or operated, including through illicit means, by the DPRK, except as approved in advance by the Security Council 1718 Committee on a case-by-case basis; or
- (f) the leasing, chartering or provision of crew services to the DPRK without exception, unless the Security Council 1718 Committee approves on a case-by-case basis in advance;38 or
- (g) using real property that DPRK owns or leases in Pakistan for any purpose other than diplomatic or consular activities.
- (h) FMU has prepared red flags indicators to identify a suspicion that could be indicative of Proliferation Financing. The red flags can be accessed from FMU website at the following link:

<http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Proliferation-Financing.pdf>

APPENDIX – A

COMPLIANCE OFFICER

Job Descriptions

Emp.#	Employee's Name	Qualifications	Experiences	Joining/Appointment Date
<b>Functionally Reporting to:</b>		<b>Administrative Reporting to:</b>		
Board of Director / Risk & Compliance Committee		Chief Executive Officer/Chief Operating Officer		
<p><b>Under Securities Brokers (Licensing &amp; Operations) Regulations, 2016, the Compliance Officer is responsible:</b></p> <ul style="list-style-type: none"> <li>-</li> <li>• For ensuring compliance with and performing functions pertaining to the segregation and safekeeping of customer assets.</li> <li>• To immediately report any non-compliance with any requirement to KTRADE for it taking immediate steps to ensure compliance with the regulatory regime.</li> <li>• Where KTRADE fails to take steps as reported by the Compliance Officer, to immediately inform the Securities Exchange and the Commission of the non-compliance by KTRADE.</li> <li>• To prepare monthly compliance reports for submitting to the board of directors of KTRADE /Risk &amp; Compliance Committee.</li> </ul> <p><b>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-</b></p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• monitoring, reviewing and updating AML/CFT policies and procedures;</li> <li>• providing assistance in compliance to other departments and branches;</li> <li>• timely submission of accurate data/ returns as required under the applicable laws;</li> <li>• monitoring and timely reporting of Suspicious and Currency Transactions to FMU;</li> <li>• such other responsibilities as the Securities Broker may deem necessary in order to ensure compliance with these regulations; and</li> <li>• 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.</li> </ul>				
<b>Reviewed by:</b> Chief Executive Officer		<b>Dated:</b> __/__/2020	<b>Approved by:</b> Board of Directors	<b>Dated:</b> __/__/2020



**APPENDIX – B**

**INTERNAL AUDITOR**

*Job Descriptions*

Emp.#	Employee’s Name	Qualifications	Experiences	Joining/Appointment Date
<b>Functionally Reporting to:</b>		<b>Administrative Reporting to:</b>		
Audit Committee of the Board		Chief Executive Officer/Chief Operating Officer		
<b>Under Securities Brokers (Licensing &amp; Operations) Regulations, 2016, the Internal Auditor/Function is responsible: -</b>				
<ul style="list-style-type: none"> <li>• To ensure that a periodic or annual review of the internal control system;</li> <li>• For assessment of overall level of compliance of KTRADE ;</li> <li>• For reporting directly to the board of directors or its audit committee;</li> <li>• To monitor the integrity of the financial statements of the company;</li> <li>• To review the company’s internal controls and risk management systems;</li> <li>• To make recommendations to the board in relation to appointment or removal of the auditor;</li> <li>• To approve the remuneration and terms of engagement of the auditor;</li> <li>• To develop and implement policy on engagement of the auditor to supply non-audit services;</li> <li>• Providing guidance in day-to-day operations of AML/CFT policies and procedures.</li> <li>• To Maintain various logs, including logs related to declined business, politically exposed persons (PEPs), and requests from the Commission, FMU, and Law Enforcement Agencies (LEAs).</li> </ul>				
<b>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-</b>				
<ul style="list-style-type: none"> <li>• Test the Anti-Money Laundering (AML), Countering Financing of Terrorism (CFT) and Counter-Proliferation Financing (CPF) system for implementing counter Money Laundering (ML) and Terrorism Financing (TF) measures having regard to ML and TF Risk and size of the business;</li> <li>• Conduct an AML/CFT/CPF audit to independently evaluate the effectiveness of compliance with AML/CFT/CPF Policies and Procedures;</li> <li>• Asses overall governance structure of KTRADE for AML/CFT, including the role, duties and responsibilities of the Compliance Officer/function;</li> <li>• Asses the ownership taken by management and board of directors (where applicable), in particular Risk Assessment, Risk Based Approach, AML/CFT/CPF related internal enquiries, suspicious transaction reports and regulatory compliance;</li> <li>• Assess the integrity and effectiveness of the AML/CFT/CPF systems and controls and the adequacy of internal policies and procedures in addressing identified risks, including: <ul style="list-style-type: none"> <li>○ CDD measures including monitoring and updating of customer data;</li> <li>○ Screening process for TFS, and test its functionality;</li> <li>○ testing transactions with emphasis on high–risk customers, geographies, products and services;</li> <li>○ Record keeping and documentation and Responding promptly to requests for information by SECP and law enforcement agencies.</li> </ul> </li> <li>• the effectiveness of parameters for automatic alerts and the adequacy of RP’s process of identifying suspicious activity, internal investigations and reporting;</li> <li>• the adequacy and effectiveness of training programs and employees’ knowledge of the laws, regulations, and policies &amp; procedures.</li> </ul>				
<b>Audit Period:</b>				
The frequency of the audit shall be quarterly in normal course of business but at any time if need arises.				
<b>Reviewed by:</b>		<b>Dated:</b>	<b>Approved by:</b>	<b>Dated:</b>



Audit Committee	__/__/2020	Board of Directors	__/__/2020
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**APPENDIX – C****LIST OF IDENTITY DOCUMENTS:**

S No.	Type of Customer	Minimum Documents required for CDD
1.	Individuals	<p>A copy of any one of the following valid identity documents:</p> <ul style="list-style-type: none"> <li>i. Computerized National Identity Card (CNIC)/Smart National Identity Card (SNIC) issued by NADRA;</li> <li>ii. National Identity Card for Overseas Pakistani (NICOP/SNICOP) issued by NADRA;</li> <li>iii. Form-B/Juvenile card/ Child Registration Certificate (CRC) issued by NADRA to children under the age of 18 years;</li> <li>iv. Pakistan Origin Card (POC) issued by NADRA;</li> <li>v. Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior (local currency account only);</li> <li>vi. Proof of Registration (POR) Card issued by NADRA; and</li> <li>vii. Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only).</li> </ul>
2.	Joint Account	<ul style="list-style-type: none"> <li>i. A copy of any one of the documents mentioned at Serial No. 1; and</li> <li>ii. In the case of joint accounts, CDD measures on all of the joint account holders shall be performed as if each of them is individual customers of the RP.</li> </ul>
3.	Sole proprietorship	<ul style="list-style-type: none"> <li>i. Copy of identity document as per Sr. No. 1 above of the proprietor;</li> <li>ii. Attested copy of registration certificate for registered concerns;</li> <li>iii. Sales tax registration or NTN, wherever applicable;</li> <li>iv. Account opening requisition on business letter head;</li> <li>v. Registered/ Business address; and</li> <li>vi. Certificate or proof of membership of trade bodies etc., (if any)</li> </ul>



4.	Partnership	<ul style="list-style-type: none"> <li>i. Copies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories;</li> <li>ii. Attested copy of ‘Partnership Deed’;</li> <li>iii. Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact shall be clearly mentioned on the Account Opening Form;</li> <li>iv. Authority letter from all partners, in original, authorizing the person(s) to operate firm’s account; and</li> <li>v. Registered/ Business address.</li> </ul>
5.	Limited Liability Partnership (LLP)	<ul style="list-style-type: none"> <li>i. Copies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories;</li> <li>ii. Certified Copies of: <ul style="list-style-type: none"> <li>(a) Limited Liability Partnership Deed/Agreement;</li> <li>(b) LLP-Form-III having detail of partners/designated partner in case of newly incorporated LLP;</li> <li>(c) LLP-Form-V regarding change in partners/designated partner in case of already incorporated LLP; and</li> </ul> </li> <li>iii. Authority letter signed by all partners, authorizing the person(s) to operate LLP account.</li> </ul>
6.	Limited Companies/ Corporations	<ul style="list-style-type: none"> <li>i. Certified copies of: <ul style="list-style-type: none"> <li>(a) Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account;</li> <li>(b) Memorandum and Articles of Association;</li> </ul> </li> <li>ii. Certified copy of Latest ‘Form-A/Form-B’.</li> <li>iii. Incorporate Form II in case of newly incorporated company and Form A / Form C whichever is applicable; and Form 29 in already incorporated companies;</li> <li>iv. Copies of identity documents as per Sr. No. 1 above of all the directors and persons authorized to open and operate the account; and</li> <li>v. Copies of identity documents as per Sr. No. 1 above of the beneficial owners.</li> </ul>
7	Branch Office or Liaison Office of Foreign Companies	<ul style="list-style-type: none"> <li>i. A copy of permission letter from relevant authority i-e Board of Investment;</li> <li>ii. Copies of valid passports of all the signatories of account;</li> </ul>



		<ul style="list-style-type: none"> <li>iii. List of directors on company letter head or prescribed format under relevant laws/regulations;</li> <li>iv. Certified copies of: <ul style="list-style-type: none"> <li>(a) Form II about particulars of directors, Principal Officer etc. in case of newly registered branch or liaison office of a foreign company;</li> <li>(b) Form III about change in directors, principal officers etc. in already registered foreign companies branch or liaison office of a foreign company;</li> </ul> </li> <li>v. A Letter from Principal Office of the entity authorizing the person(s) to open and operate the account; and</li> <li>vi. Branch/Liaison office address.</li> </ul>
8	Trust, Clubs, Societies and Associations etc.	<ul style="list-style-type: none"> <li>i. Certified copies of: <ul style="list-style-type: none"> <li>(a) Certificate of Registration/Instrument of Trust;</li> <li>(b) By-laws/Rules &amp; Regulations;</li> </ul> </li> <li>ii. Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account;</li> <li>iii. Copy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body; and</li> <li>iv. Registered address/ Business address where applicable.</li> </ul>
9	NGOs/NPOs/Charities	<ul style="list-style-type: none"> <li>i. Certified copies of: <ul style="list-style-type: none"> <li>(a) Registration documents/certificate;</li> <li>(b) By-laws/Rules &amp; Regulations;</li> </ul> </li> <li>ii. Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account;</li> <li>iii. Copy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body;</li> <li>iv. Any other documents as deemed necessary including its annual accounts/ financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds</li> </ul>



		<p>in order to assess the risk profile of the prospective customer; and</p> <p>v. Registered address/ Business address.</p>
10	Agents	<p>i. Certified copy of ‘Power of Attorney’ or ‘Agency Agreement’;</p> <p>ii. Copy of identity document as per Sr. No. 1 above of the agent and principal;</p> <p>iii. The relevant documents/papers from Sr. No. 2 to 7, if agent or the principal is not a natural person; and</p> <p>iv. Registered/ Business address.</p>
11	Executors and Administrators	<p>i. Copy of identity document as per Sr. No. 1 above of the Executor/Administrator;</p> <p>ii. A certified copy of Letter of Administration or Probate; and</p> <p>iii. Registered address/ Business address.</p>
12	Minor Accounts	<p>i. Copy of Form-B, Birth Certificate or Student ID card (as appropriate); and</p> <p>ii. Copy of identity document as per Sr. No. 1 above of the guardian of the minor.</p>
13	Mentally Disordered Person Account:	<p>i. Copy of applicable valid identity documents of mentally disordered person and court appointed manager under the applicable laws related to mental health;</p> <p>ii. Certified true copy of court order for appointment of manager for mentally disordered person;</p> <p>iii. Verification of identity document through biometric verifications from NADRA for both persons i.e. mentally disordered person and the manager appointed by court;</p> <p>iv. Verification of court order from the concerned court (to be obtained by Regulated Person);</p>



		<ul style="list-style-type: none"> <li>v. Account would be opened in the name of mentally disordered person and the same will be operated by the court appointed manager;</li> <li>vi. All CDD requirements/formalities should be conducted / completed for both persons; and</li> <li>vii. In case of change of manager by the court, the CDD will be conducted for the new appointed manager by the Regulated Person afresh.</li> </ul>
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**Note:**

- i. For due diligence purposes, at the minimum following information shall also be obtained and recorded on KYC (Know Your Customer)/CDD form or account opening form:
  - (a) Full name as per identity document;
  - (b) Father/Spouse Name as per identity document;
  - (c) Mother Maiden Name;
  - (d) Identity document number along with date of issuance and expiry;
  - (e) Existing residential address (if different from CNIC);
  - (f) Contact telephone number(s) and e-mail (as applicable);
  - (g) Nationality-Resident/Non-Resident Status
  - (h) FATCA/CRS Declaration wherever required;
  - (i) Date of birth, place of birth;
  - (j) Incorporation or registration number (as applicable);
  - (k) Date of incorporation or registration of Legal Person/ Arrangement;
  - (l) Registered or business address (as necessary);
  - (m) Nature of business, geographies involved and expected type of counter-parties (as applicable);
  - (n) Type of account/financial transaction/financial service;
  - (o) Profession / Source of Earnings/ Income: Salary, Business, investment income;
  - (p) Purpose and intended nature of business relationship;
  - (q) Expected monthly turnover (amount and No. of transactions); and
  - (r) Normal or expected modes of transactions/ Delivery Channels.
  
- ii. The copies of identity documents shall be validated through NADRA verisys or Biometric Verification. The regulated person shall retain copy of NADRA verisys or Biometric Verification (hard or digitally) as a proof of obtaining identity from customer; and



- iii. In case of expired CNIC, account may be opened on the basis of attested copies of NADRA receipt/token and expired CNIC subject to condition that regulated person shall obtain copy of renewed CNIC of such customer within 03 months of the opening of account.
- iv. For CNICs which expire during the course of the customer's relationship, regulated person shall design/update their systems which can generate alerts about the expiry of CNICs at least 01 month before actual date of expiry and shall continue to take reasonable measures to immediately obtain copies of renewed CNICs, whenever expired. In this regard, regulated person are also permitted to utilize NADRA Verisys reports of renewed CNICs and retain
- v. copies in lieu of valid copy of CNICs. However, obtaining copy of renewed CNIC as per existing instructions will continue to be permissible.
- vi. The condition of obtaining Board Resolution is not necessary for foreign companies/entities belonging to countries where said requirements are not enforced under their laws/regulations. However, such foreign companies will have to furnish Power of Attorney from the competent authority for establishing Business Relationship to the satisfaction of the regulated person.
- vii. The condition of obtaining photocopies of identity documents of directors of Limited Companies/Corporations is relaxed in case of Government/Semi Government entities, where SECP RPs should obtain photocopies of identity documents of only those directors and persons who are authorized to open and operate the account. However, SECP RPs shall validate identity information including CNIC numbers of other directors from certified copies of Form-A / Form-B / Form-29".
- viii. Government entities accounts shall not be opened in the personal names of a government official. Any account which is to be operated by an officer of the Federal or Provincial or Local Government in his/her official capacity, shall be opened only on production of a special resolution or authority from the concerned administrative department or ministry duly endorsed by the Ministry of Finance or Finance Department/Division of the concerned Government.

Explanation:- For the purposes of this regulation the expression "Government entities" includes a legal person owned or controlled by a Provincial or Federal Government under Federal, Provincial or local law.

Explanation:- For the purpose of this Annexure I the expression "NADRA" means National Database and Registration Authority established under NADRA Act, (VIII of 2000).

**APPENDIX – D**

**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, 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:**

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.

**APPENDIX – E**

<b>Information Required for Account Opening</b>			
<b>SR #</b>	<b>Information Required</b>	<b>Type of Client</b>	<b>Requirement to Fill/ Provide Info</b>
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.



**APPENDIX – F (For Legal Persons)**

KTRADE SECURITIES LIMITED			
CUSTOMER DUE DILIGENCE & CUSTOMER RISK CATEGORIZATION FORM (CDD & CRC)			
CLIENT:			
A/c/ UIN/ REG/ INC/ NTN #:			
RISK LEVEL:			
Determinants	Risk Variables/Determinants	Weight	Score
Occupation Risk	Joint Stock Company - Pvt Limited	15	
	Joint Stock Company - Public Listed	10	
	Joint Stock Company - Public Un-Listed	10	
	Partnership - LLP	15	
	Partnership - Non LLP	25	
	Banks / Microfinance Banks	5	
	Asset Management Companies	5	
	Insurance Companies	5	
	Modarba Companies	5	
	Mutual Funds	5	
	Other Financial Institutes	5	
	Charitable Trusts (NGO/NPO/Wakf)	70	
	Co-operative Societies	70	
	Government Institutes/ Department	10	
	Employee Welfare Funds	5	
Other Institutes	20		
Delivery Channel	Cash Deposits	60	
	Banking Channels (Cheques/ Bank Drafts/ Online)	5	
	Wire Transfers (RTGS etc)	20	
	Third Party Transfers	40	
Locations (Geography)	Identified as High-risk jurisdiction by the FATF	50	
	Identified as High-risk jurisdiction by the KASB (Porus Borders)	50	
	Identified as High-risk jurisdiction by the NRA	50	
	Porus Border	15	
	Non Porus Border	5	
	Countries / Geographies having significant levels crime, corruption/criminal activity or considered as Tax Heaven or subject to sanctions embargos or similar measures issued by international authorities.	30	
	Residential address are quite distant from business location	15	
Product/ Transaction Risk	Normal A/c (Ready Market)	10	
	Normal A/c (Ready, Future Market)	15	
	Normal A/c (Ready, Future, Leverage Market)	20	
	Normal A/c (Leverage Market Only)	50	
	Normal A/c (Leverage, Future Market Only)	40	
Any Other Factor	Personal Relations with Company Executives (Directors etc)	5	
<b>PROPOSED RISK LEVEL</b>		<b>Low/Medium/High</b>	
<b>Reason for Marking HIGH/MEDIUM/LOW Risk:</b>			

**APPENDIX – G (For Natural Persons)**

<b>KTRADE SECURITIES LIMITED</b>				
<b>CUSTOMER DUE DILIGENCE &amp; RISK ASSESSMENT FORM UNDER THE RISK BASED APPROACH</b>				
<b>CLIENT NAME</b>				
<b>CNIC / A/c #:</b>				
<b>Determinants</b>	<b>Risk Variables</b>	<b>Risk Rating</b>	<b>Weight</b>	<b>Score</b>
<b>Occupation Risk</b>	Real Estate / Builders Business & Agents	Very High	60	
	Jewellers / Dealers in Precious Metals and Stones (DPMS)	High	45	
	Cash Based Business	High	45	
	Agriculturist	Low	5	
	Business / Selfemployee	Low	5	
	Business Executives (CEO, DIRECTOR, CHAIRMAN OF LISTED/ PUBLIC UN Listed / PVTORG.)	Low	5	
	Housewives	Low	5	
	Lawyers / Notaries (Including Trust and Company Service Providers - TCPs)	Low	5	
	Chartered Accountants	Low	5	
	Other Individual (Investors etc / Specify) RENTAL	Low	5	
	Freelance Professionals	Low	5	
	Professionals (Tax consultant / Independent consultants / Independent IT professionals ETC)	Low	5	
	Salaried Person	Low	5	
	Students	Low	5	
	Salaried Person - In Abroad	Medium	10	
	Households Persons	Medium	10	
	Retired	Low	5	
Salaried Person - Private & Cash based salary	Medium	10		
Transporters / Automobile Dealers / Travel Agents	Medium	10		
<b>Customer Poses</b>	Foreign National / Dual National	Very High	60	
	PEP (direct/ indirect)	Very High	60	
	Media Personality (Showbiz, anchor, newscaster, journalist etc)	High	45	
	Customer where beneficial ownership is separate to him/her.	High	45	
	Employee A/C	Low	5	
	Low Net worth Individual (Non RH Desk)	Low	5	
	High Net worth Individuals (RH Desk)	Medium	10	
<b>Locations (Geography)</b>	Countries / Geographies having significant levels crime, corruption/criminal activity or considered as Tax Heaven or subject to sanctions embargos or similar measures issued by international authorities.	High	45	
	Identified as High-risk jurisdiction by the FATF	High	45	
	Identified as High-risk jurisdiction by the NRA	High	45	
	Porus Border (High Risk)	High	45	
	Resident (Holding local CNIC/SNIC or NICOP/SNICOP and also working in Pakistan)	Low	5	
	Non-Resident (Holding NICOP/POC/SNICOP and living abroad or Working Abroad etc) High	High	45	
	Non Porus Border	Low	5	
	Address is of Porus Border/ High Risk Geography but working in Non-Porus / Low Risk Geography	Low	5	



	Residential address are quite distant from business location	Medium	10	
<b>Product Risk</b>	Sahulat Account	Low	5	
	PMEX Account	Low	5	
	Normal Account (READY ONLY)	Low	5	
<b>Transactional Risk</b>	Any other suspicious behavior or attributes shown by customer.	High	45	
	Cash Deposits	High	45	
	Non- face-to-face	High	45	
	Refusal from any other financial institution	High	45	
	Cross border correspondent financial institutions relationships	High	45	
	Banking Channels (Cheque/ Online etc)	Low	5	
	Foreign Remittance Receiving In Income	Medium	10	
<b>Market Risk</b>	Leverage Market	High	45	
	Ready Market	Low	5	
	Futures Market	Medium	10	
<b>PROPOSED RISK LEVEL</b>				
<b>*Reason for Marking HIGH/MEDIUM/LOW:</b>				

**APPENDIX – H**

**ILLUSTRATIVE TABLE FOR IDENTIFICATION OF PEPs:**

<b>Head of State/ Government / Province</b>	<b>Senior Politicians</b>	<b>Federal &amp; Provincial Government Official</b>
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
<b>Army Officials</b>	<b>Navy Officials</b>	<b>Air force Officials</b>
General	Admiral	Air Chief Marshal
Lieutenant General	Vice Admiral	Air Marshal
Major General	Rear Admiral	Air Vice Marshal
Brigadier	Commodore	Air Commodore
<b>Local Government Official</b>	<b>Judiciary Officials</b>	<b>Other Government Official</b>
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)

**APPENDIX – I**

**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/ COUNTIRES	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.