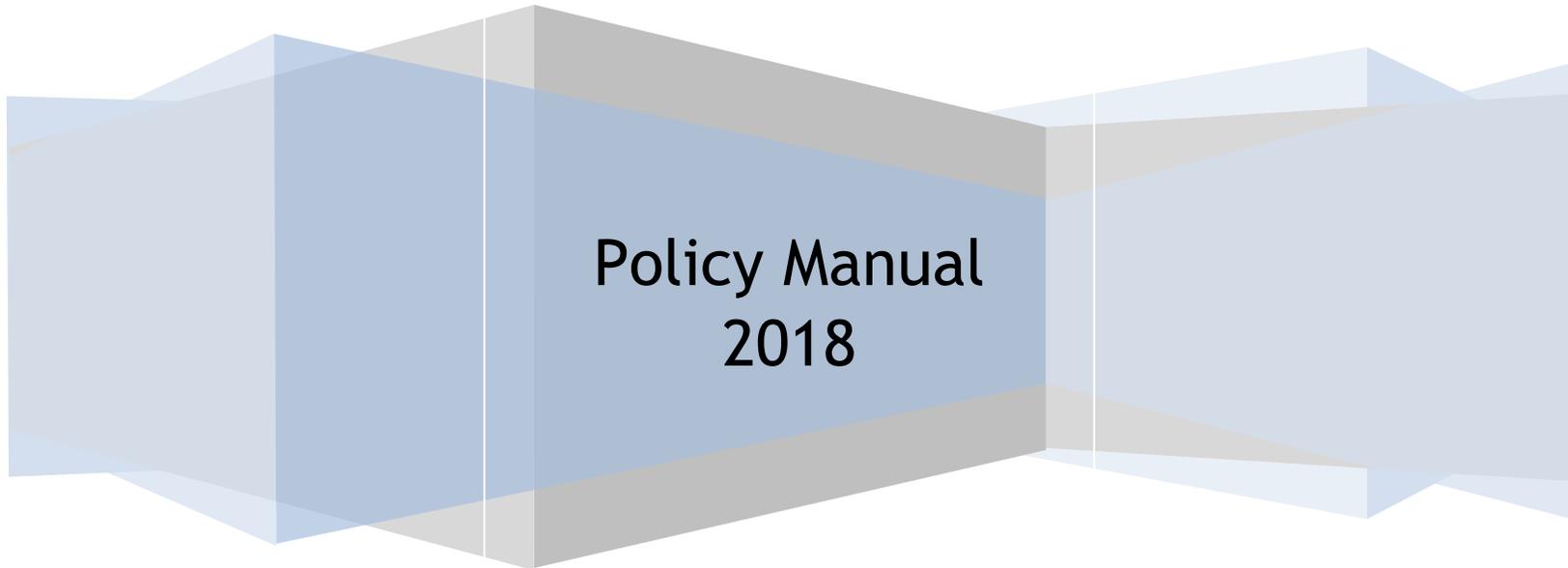


Azee Securities (Pvt.) Ltd
Corporate Member Pakistan Stock Exchange



**Policy Manual
2018**

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DEFINITIONS

- **“Beneficial owner”** in relation to a customer of a Stock Broker, means the natural person(s) who ultimately own(s) or controls a customer or the person on whose behalf a transaction is being conducted and includes the person(s) who exercise(s) ultimate effective control over a person or a body of persons whether incorporated or not;
- **“Currency Transaction Report or CTR”** means as defined under AML/CFT Regulations 2018;
- **“Customer due diligence or CDD”** in broader terms includes;
 - Identifying the customer and verifying the customer’s identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;
 - Identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, to verify his identity so that the Azee Securities is satisfied that it knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement;
 - Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
 - Monitoring of accounts/transactions on ongoing basis to ensure that the transactions being conducted are consistent with the knowledge of the customer, their business and risk profile, including, where necessary, the source of funds and, updating records and data/ information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with Azee Securities.
- **“Money laundering and financing of terrorism or ML/TF”** has the same meaning as ascribed to them in AML/CFT Regulations 2018;
- **“Online transaction”** means deposit or withdrawal of cash using different branches of a bank through electronic means;
- **“Politically exposed persons or PEPs”** are individuals who are entrusted with prominent public functions either domestically or by a foreign country, or in an international organization, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations/departments/autonomous bodies. This does not intend to cover middle ranking or more junior individuals in the foregoing categories;
- **“Risk”** refers to risk associated with money laundering and financing of terrorism;
- **“Suspicious transaction report or STR”** means as defined under AML/CFT Regulations 2018.

AML/CFT PHILOSOPHY OF AZEE SECURITIES:

The AML/CFT philosophy of Azee Securities is to prevent Azee Securities from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable Azee Securities to know/understand its customers and their financial dealings better which in turn will help Azee Securities to manage its risks prudently.

It is important that Azee Securities management views “money-laundering prevention” and “knowing your customer” as part of the risk management strategies and not simply as standalone requirements that are being imposed by legislation/regulators’. Hence the objective of the policy is to

- Customer Identification
- Risk assessment of customer
- Circumstances where Enhanced Due Diligence is required
- On-going due Diligence
- Circumstances where simplified Due Diligence can be adopted
- Compliance function
- Data retention
- Training and employee screening

The Azee Securities would also consider International best practices, recommendations from the relevant bodies such as Financial Action Task Force (FATF) while develop our KYC/CDD policy to have a proper Customer Due Diligence (CDD) process before registering clients.

CUSTOMER DUE DILIGENCE (CDD)

CDD measures are to be applied:

1. Azee Securities shall apply CDD measures under Clause 06 of AML/CFT regulations 2018;
 - (a) when establishing business relationship;
 - (b) in other situations/scenarios when there is suspicion of money laundering/financing of terrorism, regardless of threshold.

CDD Measures for Establishing Business Relationship

Identification of Customers:

2. Every customer shall be identified for establishing business relationship. For this purpose, provides range of documents which shall be obtained for different types of customers.
3. For identity and due diligence purposes, at the minimum following information shall also be obtained, verified and recorded on KYC/CDD form or account opening form;
 - (a) Full name as per identity document;
 - (b) CNIC/Passport/NICOP/POC/ARC number or where the customer is not a natural person, the registration/ incorporation number or business registration number (as applicable);
 - (c) Existing residential address, registered or business address (as necessary), contact telephone number(s) and e-mail (as applicable);
 - (d) Date of birth, incorporation or registration (as applicable);
 - (e) Nationality or place of birth, incorporation or registration (as applicable);
 - (f) Nature of business, geographies involved and expected type of counter-parties (as applicable);
 - (g) Purpose of account;
 - (h) Type of account;
 - (i) Source of earnings;

Verification of Bank Account:

4. The Bank shall verify the customers bank details and credentials where he/she or any entity maintaining. The verification shall be the responsibility of concerned bank customer should neither be obligated nor the cost of such verification be passed on to the customers.

Identification and Verification of Beneficial Owners:

5. Authority of such person to act on behalf of the customer shall be verified through documentary evidence including specimen signature of the persons to be authorized.

In case of beneficial owner(s) in relation to a customer, reasonable measures shall be taken to obtain information to identify and verify the identities of the beneficial owner(s) of legal persons and legal agreement under clause 07 of AML/CFT regulations 2018.

6. As per PSX regulations, Azee Securities follow the regulations that the all receipts/payments above Rs25,000/= are made through cross - cheques, bank drafts, pay-orders or other crossed banking instruments. Where any cash is accepted from a customer in an exceptional circumstance only, it has to be immediately reported to the Exchange with clear reasons as to why the cash receipt was accepted by Azee Securities.

It is further to ensure, to have physical presence of the account opener/authorized representative is necessary at the time of opening a brokerage account. In the case of non-resident/overseas customers or customers in other cities where the Azee Securities does not have a branch/office, more strong identity verification procedures should be applied. These include verification by a reliable third party, reference of an existing customer of the broker, confirmation from another broker with whom the customer had an account etc.

Furthermore, it is important when obtaining confirmation from third parties in other jurisdictions, especially foreign, that brokers consider whether that foreign jurisdiction is following the Financial Action Task Force (FATF) recommendations. The list of jurisdictions following FATF recommendations is available.

RISK ASSESSMENT & MITIGATION:

Azee Securities is transition from one size fits all to a risk-based approach under the clause 03 of AML/CFT regulations 2018, risk assessment and compliance framework. The AML/CFT entails identification and assessment of ML/TF risks in relation to customers. This risk assessment by brokers has to be done on the basis of information obtained at the time of brokerage account opening and has to be updated on the basis of information obtained during the relationship and doing business with the customer. It should be based on customer's identity, nature of income, source of funding, location/domicile of customer, etc.

As per SECP broad outline of factors that will categorize the customer into **HIGH RISK CATEGORY:**

- Non-resident customers;
- Legal persons or arrangements including non-governmental organizations; NGOs)/ not-for-profit organizations (NPOs) trusts / charities;
- Customers belonging to countries where CDD/KYC and antimoney laundering regulations are lax or if funds originate or go to those countries;
- Customers whose business or activities present a higher risk of money laundering such as cash based business;
- Customers with links to offshore tax havens;
- High net worth customers with no clearly identifiable source of income;
- There is reason to believe that the customer has been refused brokerage services by another brokerage house; Non-face-to face / on-line customers. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations.
- Politically Exposed Persons (PEPs) or customers holding public or high profile positions These generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials; senior executives of State Corporations AND their family members and close associates. These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and monitoring their account activity. Simplified measures may be permitted such as under regulation 11 (2) (a) and (b) and 12(2) (c) to (g) of the regulations. However, simplified measures are not permitted whenever there is a suspicion of ML/TF.

In general, Azee Securities would conduct a self assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented by virtue of its business model, types of customers and geographical placement.

ENHANCED DUE DILIGENCE:

Once a customer has been categorized as **HIGH RISK**, it is necessary for the Azee Securities to have Enhanced Due Diligence (EDD) under Clause 09 of AML/CFT regulations 2018. When dealing with such a customer. Policies and procedures should be put in place so that activities and transactions of **HIGH RISK** customers are monitored and any unusual transactions are reported in a SUSPICIOUS TRANSACTION REPORT (STR).

- When dealing with high-risk customers, including Politically Exposed Persons (PEP's) the nominee director/senior management of the Azee Securities, has to approve the opening of brokerage account. In the case of **HIGH RISK CATEGORY** customers, it is all the more important for Azee Securities to determine the source of wealth and funds invested.
- It should be noted that this exercise of categorizing customers in LOW, MEDIUM, HIGH RISK category applies to all customers, including existing customers. The requirements for monitoring and reporting suspicious transactions and senior management approval for continuing with the customer will also apply to such customer(s).
- If the above requirements cannot be fulfilled by the Azee Securities than they would not open the brokerage account of such person(s) and file a Suspicious Transaction Report (STR). In case an existing customer falls into HIGH RISK CATEGORY and the Azee Securities is unable to fulfill the above mentioned requirements, such account should be closed and a Suspicious Transaction Report filed.
- Similarly, brokerage account would not be opened if the broker is unable to verify the identity of the customer / beneficial owner of the account, or if it is unclear what the purpose and intention of customer is and should file an STR. If there are any such existing accounts they should be closed and a Suspicious Transaction Report (STR) filed.

ON-GOING DUE DILIGENCE:

- Azee Securities and their Agents/Dealers to realize that Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. In order to guard against misuse of their good offices against criminal transactions Azee Securities need to be vigilant at all the times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the understanding of the Azee Securities in terms of the customer's profile, risk category, historical pattern of the transactions and their historic funding source.
- Azee Securities would keep all customer records updated and have a policy of assessing any change in customer profile on regular basis, which change should be documented and sufficient information should be obtained regarding such change.

SIMPLIFIED DUE DILIGENCE:

The purpose of the KYC/CDD guidelines is not to make operations unnecessarily cumbersome, but to help the broker community guard against their services from being used for money laundering by unscrupulous elements.

- Azee Securities can apply simplified or reduced CDD measures in the following circumstances:
 - a) Risk of money laundering or terrorist financing is lower
 - b) Information on the identity of the customer and the beneficial owner of a customer is publicly available
 - c) Adequate checks and controls exist.
- Further to this customers may be considered for simplified or reduced CDD:
 - a) Financial institutions which are subject to requirement to combat money laundering and terrorist financing consistent with the FATF Recommendations and are supervised for compliance with those controls
Public companies that are subject to regulatory disclosure requirements
 - b) Government administrations or enterprises.
- When opting for simplified or reduced due diligence, the FATF guidelines in this regard must be consulted. Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

REPORTING OF STRs/CTRs:

1. Azee Securities shall comply with the provisions of under Clause 14 of AML/CFT regulations 2018 issued there under for reporting Suspicious Transactions/Currency Transactions in the context of money laundering or financing of terrorism.
2. Azee Securities shall implement appropriate internal policies, procedures and controls for meeting their obligations under AML/CFT 2018.
3. Azee Securities shall pay special attention to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The back ground and purpose of such transactions shall, as far as possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.
4. Azee Securities to make use of technology and upgrade systems and procedures in accordance with the changing profile of various risks for analysis and possible reporting of suspicious transactions. Further, Azee Securities shall establish criteria in their AML/CFT Policies and/or Procedures for management of such alerts.
5. The transactions, which are out of character or are inconsistent with the history, pattern, or normal operation of the account including through heavy deposits, withdrawals and transfers, shall be viewed with suspicion, be properly investigated and referred to Compliance Officer for possible reporting AML/CFT 2018.
6. Azee Securities should note that STRs, including attempted transactions, should be reported regardless of the amount of the transactions; and, the CTRs should be reported for the transactions of rupees two million and above as per requirements of AML/CFT 2018.

Azee Securities shall not to form a business relationship with the individuals/entities and their associates that are either, sanctioned under the Security Council resolutions adopted by Pakistan or prescribed under the Anti-Terrorism Act, 1997. In order to further guide the regulated persons' links to a relevant organization such as FATF, UNSC Sanction Committee, NACTA etc.

COMPLIANCE FUNCTION:

AML/CFT guidelines are being provided to help Agents/Dealers understand the processes involved under Clause 15 of AML/CFT regulations 2018. It is important that a system be developed to monitor customer transactions and report any suspicious activity in a timely manner. In order to achieve this objective two key elements have to be instituted.

- Compliance Function with suitable human resource
- MIS reporting capability

In this context, the compliance manager to ensure compliance should report to the Board of Directors of the Brokerage House. The Compliance function has to ensure that AML/CFT guidelines are being complied with as well as with other regulatory requirements.

This includes maintaining record of violations/non-compliance identified which has to be reported to the Board of Directors. Any such record has to be available for inspection by SECP and PSX as and when required.

- **RECORD KEEPING:**

Azee Securities shall maintain all necessary records on transactions, both trading and banking, for any analysis, background and purpose of complex, unusual large transactions in case for a minimum period of five years from completion of the transaction.

The records of identification data obtained through CDD process like copies of identification documents, account opening forms, KYC forms, verification documents and other documents along with records of account files and business correspondence, shall be maintained for a minimum period of five years. The identification records may be maintained in document as originals or copies subject to bank's attestation.

- **TRAINING:**

There will be on-going training employees and Dealer/Agents to ensure that they understand their duties under Clause 20 of AML/CFT regulations 2018 and are able to perform those duties satisfactorily.

- **SCREENING:**

In order to ensure, that unscrupulous elements do not become employees/agents, Azee Securities would adopt appropriate screening procedures when hiring and also on an ongoing basis to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism.

Azee Securities like any other financial institutions is bound by the requirements of AML/CFT regulations 2018, as applicable to them and must comply with the provisions of this Act. This includes filing of suspicious Transactions Reports and complying with any directives, circulars, guidelines with regard to KYC/CDD/Anti-Money Laundering/Terrorist Financing, issued by the Federal Government.

**Minimum Documents to be obtained from Various Types of
Customers under AML/CFT 2018**

Sr. No	Type of Customers	Documents/papers to be obtained
1.	Individuals/Joint Holders	<p>A photocopy of any one of the following valid identity documents;</p> <ul style="list-style-type: none"> (i) Computerized National Identity Card (CNIC) issued by NADRA. (ii) National Identity Card for Overseas Pakistani (NICOP) issued by NADRA. (iii) Pakistan Origin Card (POC) issued by NADRA. (iv) Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only).
2.	Sole Proprietors	<ul style="list-style-type: none"> (i) Photocopy of identity document as per Sr. No. 1 above of the proprietor. (ii) Registration certificate for registered concerns. (iii) Sales tax registration or NTN, wherever applicable. (iv) Certificate or proof of membership of trade bodies etc, wherever applicable. (v) Declaration of sole proprietorship on business letter head. (vi) Account opening requisition on business letter head.
3.	Partnership	<ul style="list-style-type: none"> (i) Photocopies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories. (ii) Attested copy of 'Partnership Deed' duly signed by all partners of the firm. (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. (iv) Authority letter from all partners, in original, authorizing the person(s) to operate firm's account.
4.	Limited Companies/ Corporations	<ul style="list-style-type: none"> (i) Certified copies of: <ul style="list-style-type: none"> (a) Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account; (b) Memorandum and Articles of Association; (c) Certificate of Incorporation; (d) Certificate of Commencement of Business, wherever applicable; (e) List of Directors on 'Form-A/Form-B' issued under Companies Ordinance 1984, as applicable; and (f) Form-29, wherever applicable. (ii) Photocopies of identity documents as per Sr. No. 1 above of all the directors and persons authorized to open and