

ASIAN SECURITIES LTD

KYC/CDD and Anti Money Laundering/Countering Financing of Terrorism Policy

Karachi, January 28, 2021

1. Purpose of the policy

Know Your Customer (KYC)/Customer Due Diligence (CDD) and Anti Money Laundering/Countering Financing of Terrorism Policy of Asian Securities Ltd shall ensure that the company's business is in conformity with the regulatory requirements and standards prescribed by the SECP & PSX. The KYC form (Check List) shall be filled and acted upon at the time of opening of an account.

2. Policy Review, Ownership and Dissemination

The KYC/CDD and Anti Money Laundering/ Countering Financing of Terrorism Policy shall be prepared by the Compliance Officer and place it before the Board for approval. The policy shall be reviewed and updated as and when needed. The policy shall be in conformity with AML/CFT regulations at all times. Any amendment made shall also be approved by the Board. The policy shall be disseminated to all employees in the head office as well as in the branch. The latest approved Policy shall also be available on the company's website.

3. General Guidelines

- 3.1 A customer who holds Rupees Ten Million worth of shares at the month end shall be classified as High Net Worth Individual.
- 3.2 All documents/communication with the client shall be retained for 5 years after the relationship has ended with the client.
- 3.3 Training of employees shall be conducted from time to time to ensure they are aware of anti-money laundering laws and conduct Customer Due Diligence in an effective manner.
- 3.4 Potential candidates for employment shall be subject to background checks which include gathering information from previous employees and independent inquiries to ensure they have proper work ethics, integrity and professionalism.

4. Appointment of Compliance Officer and his Responsibilities

- 4.1 A full time Compliance Officer (CO) shall be appointed. In case of any vacancy a person shall be temporarily be handed the responsibilities of a compliance officer until a full time Compliance Officer is appointed.
- 4.2 CO shall possess skill and knowledge to ensure effective development and implementation on AML/CFT procedures.
- 4.3 The Compliance Officer shall meet the requirements as laid out in the Securities Brokers (Licensing and Operations) Regulations 2016.
- 4.4 The Compliance Officer shall report to the CEO.

- 4.5 Compliance Officer shall stay abreast with all the laws at all times.
- 4.6 After any change in the AML/CFT laws, the Compliance Officer shall update the policy and send it for approval by the Board. After approval of the policy shall be communicated to all employees.
- 4.7 CO shall be responsible to file Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) to the Financial Monitoring Unit (FMU) within the prescribed timelines.

5. Account Opening and Customer Identification/Verification

At the time of accepting a Customer Relationship Form (CRF) the following documents are necessary for identification/ verification of the customer. Failure on part of the client to submit the required documents the company shall refuse to open an account.

- 5.1 Clients presence at the time of opening the account is mandatory for resident Pakistanis.
- 5.2 Clients shall submit the duly completed CRF.
- 5.3 A valid CNIC.
- 5.4 Clients source of funds shall be determined and documentary evidence shall be obtained where necessary.
- 5.5 The CRF shall be checked by the Back Office Manager and approved by the Compliance Officer.
- 5.6 All foreign nationals are required to submit a valid passport.
- 5.7 A set of documents will be required (as listed in Annexure A) depending on the nature of the customer.
- 5.8 All CNICs on Natural Account holders their nominee and authorized person and beneficial owner shall be verified via NADRA Verisys before opening an account.
- 5.9 In case of a Trust, NGO, Company all BOD directors and authorized persons CNIC shall be verified via Nadra Verisys.
- 5.10 For all natural persons Beneficial Ownership shall be identified.
- 5.11 In case of a company or trust, the ultimate beneficial owner shall be identified.
- 5.12 If the contact person is other than the account holder, mandate shall be taken in writing
- 5.13 In case of a legal entity, board resolution and Power of Attorney shall be obtained nominating the contact person to operate the account.
- 5.14 Accounts of Clients who are politically exposed or have a high profile or public position shall only be opened with the approval of the Senior Management.

6. Prohibited accounts

The Customer Relationship Form (CRF) shall be rejected on the following grounds

- 6.1 Failure to submit the required documents as listed in Annexure A.
- 6.2 Government accounts opened in the name of the government officials.
- 6.3 A Private Ltd company's form without the latest shareholder list.
- 6.4 A person's name appearing in the list of Proscribed Persons issued by United Nation Security Council (UNSC) and The National Counter Terrorism Authority (NACTA).

- 6.5 He/She is a defaulter of any TREC Holder/Broker of any Stock Exchange.
- 6.6 A record of list of accounts refused to open or closed due to suspicion of ML/TF shall be documented and reported to the FMU.
- 6.7 Afghan Refugees regardless of Proof of Registration (POR) issued by NADRA.

7. Risk Profiling – Customer Due Diligence (CDD)/ Enhanced Due Diligence (EDD)

- 7.1 A KYC/CDD Checklist form shall be filled and risk shall be assigned.
- 7.2 Risk profiling of the customers shall also be conducted in accordance with the point based risk profiling system.
- 7.3 Higher level of risk shall take precedence from the two above methods of assigning risk.
- 7.4 Simplified Due Diligence shall be conducted for low risk customers, however enhanced KYC/CDD measures to be taken for high risk clients and corporates with complex legal structures.
- 7.5 An investor may be recognized as low risk, medium risk or high risk.
- 7.6 A customer with low risk shall be subject to simplified due diligence.
- 7.7 Simplified Due Diligence may be applied to entities with robust ML/TF procedures like Banks and insurance Companies.
- 7.8 Simplified Due Diligence may be applied to entities subject to regulatory disclosure requirements such as audits and beneficial ownership disclosures.
- 7.9 Investors with high risk shall be subject to enhanced due diligence.
- 7.10 Funds of approved high risk investors shall be scrutinized to determine the frequency of investments to the financial strength of the investor.
- 7.11 Relationship with a politically exposed client shall be approved by the Senior Management.
- 7.12 Legal Persons having complex legal structures shall be marked high risk and subject to enhanced Due Diligence, where ultimate beneficial ownership shall be determined.
- 7.13 Clients having business shall be scrutinized to the extent of nature of business and the potential involvement of the crimes as listed in the National Risk Assessment (NRA) 2019 and shall be assigned risk rating in light of the NRA 2019.

8. High risk Customers

- 8.1 Client shall be marked high risk if it is marked as foreign or local Politically Exposed Person.
- 8.2 All non-resident customers shall be marked as high risk.
- 8.3 If the customer is based on a jurisdiction where ML, TF risks are high
- 8.4 If the customer or its jurisdiction is identified as high risk by FATF or NRA (2019).
- 8.5 Any reason the Compliance Officer assess the customer to pose a higher Risk of ML/TF

9. Politically Exposed Persons

A Politically Exposed Person (PEP) is a person who has held or is holding the highest Public office such as head of state, Ministers, Senior Judges, senior position in the armed forces and government officials. However junior and middle levels of the above categories are not included in the definition of PEP. Following shall be considered as PEP, however they shall be classified as a foreign PEP or domestic PEP:

- 9.1 All government officers, Senior Political Party position holders, and their relatives shall be treated as Politically Exposed Person (PEP).
- 9.2 All senior Army, Air force, Naval officers shall be treated as PEP.
- 9.3 Senior Judges shall also be treated as PEP.
- 9.4 Any person who is in a position to influence government policy shall also be classified as PEP.

Any client marked PEP, approval shall be sought from the CEO/ Senior Management.

10. Beneficial Ownership of Natural Persons, Legal Persons and Legal Arrangements

- 10.1 The Compliance Officer shall identify if the client (natural person) is opening an account on behalf of its beneficial owner.
- 10.2 Where a beneficial owner is identified his/her source of income shall be identified.
- 10.3 In case of legal persons the beneficial owner shall be identified and the risk assessment shall be performed accordingly.
- 10.4 In case of complex legal structures the CO shall assess the purpose of the complex structure and identify the ownership and control structure.
- 10.5 The CO shall take appropriate steps to minimize the risk involved in dealing with such entities.

11. Receipts and Payments for Investment

- 11.1 Clients should be encouraged to conduct all transactions through cross cheques.
- 11.2 However cash receipts and payments are allowed up to PRK 25,000/ per day subject to approval of CEO.
- 11.3 Cash transaction of Rs. 2 Million and above shall be reported to the FMU, however the Company policy is not to accept cash above Rs 25,000.
- 11.4 All payments shall be received from the clients own local bank account.
- 11.5 All payments made to the clients shall be made to the client in his own name.
- 11.6 Third party transactions shall be prohibited.
- 11.7 Foreign Nationals / Overseas Pakistanis may provide payments for investment in equity via a regular PKR account with any bank in Pakistan or via a SACRA account.
- 11.8 Payment to Foreign Nationals / Overseas Pakistanis shall be made via cross cheques payable in Pakistan.
- 11.9 Inward or outward foreign remittance to Foreign Nationals / Overseas Pakistanis shall not be allowed.

12. Internal Audit

12.1 Internal Auditor shall periodically test the AML/TF function of the Company.

12.2 Any discrepancy identified by the internal auditor shall be reported to the Compliance Officer and Senior Management.

12.3 The Internal Auditor may give recommendations to strengthen AML/TF Controls.

12.4 The Internal Auditor shall ensure that any shortcomings identified have been addressed.

13. Monitoring Transaction and Reporting

13.1 Front office shall report any unusual pattern of trading to the Compliance Officer.

13.2 Any unusual activity transaction noticed by the trader/agent shall be reported to the Compliance Officer/ CEO.

13.3 Any suspicious transaction identified shall be reported to the Compliance Officer/CEO who shall then report it to the Financial Monitoring Unit.

13.4 The Compliance Officer shall check limit breaches via software provided by Vision Technologies.

13.5 In case of High Risk customer where situation is outside the risk tolerance level or there is a suspicion of Money Laundering/Terror Financing the relationship with the customer shall be terminated.

All employees shall ensure that no client is tipped off about a Suspicious Transaction Report.

14. MONEY LAUNDERING AND TERROR FINANCING SIGNS/FLAGS

All members of staff shall bring the attention of the CEO if they observe the following signs:

14.1 If the customer wishes to deal on a large scale but it is difficult to identify the source of income.

14.2 If the customer makes frequent requests to settle payments in cash.

14.3 Customers who accept uneconomic terms, when they can get a better deal with minimum effort.

14.4 Customer is based in a county known for drug trafficking.

14.5 Customer carrying out large number of transactions via NDM market with huge differences from the prevailing market prices.

14.6 Customers who trade frequently while incurring losses on those trades.

14.7 Customer trade activity deviates from previous transactional activity without any apparent reason.

15. Risk assessment by Product, Delivery Channel and Location

Overall entity risk shall be determined based on the following factors:

15.1 Annual risk assessment shall be prepared and submitted to SECP as required by law.

15.2 Risk assessment shall be conducted from time to time as required.

15.3 Risk shall be assessed based on type of product (Ready market, Futures, Margin Financing).

- 15.4 Risk shall be assessed based on the mode of payment used to and from the customer. Payments by cross cheque to and from the clients own account shall be considered low risk. Cash transactions shall be categorized as high risk.
- 15.5 Risk of customers shall be categorized by geographical location. If source of funds of Customers based in jurisdictions blacklisted by FATF shall be marked as high risk.
- 15.6 Any customer, its nominee or authorized person located in the high risk jurisdiction identified by FATF or as identified in NRA 2019 shall be classified as high risk.

16. New Products and Technologies

- 16.1 Any new product introduced by the company shall be tested for potential risk pertaining to AML/CFT.
- 16.2 Any new technology introduced by the company shall be tested for potential risk pertaining to AML/CFT.

17. Training and understanding of AML/CFT

- 17.1 An in-house or outsource AML/CFT training will be held at least once a year.
- 17.2 All relevant employees shall attend the training sessions
- 17.3 Employees understanding of the training will be assessed and documented.
- 17.4 New employees shall undertake AML/CFT training before they are handed over any responsibility.

18. Record Updation

KYC/CDD is not a onetime exercise. It shall be conducted at the start of the relationship and revised frequently till the end of relationship with the customer.

- 18.1 Compliance manager/officer shall update records of High risk clients every year.
- 18.2 Compliance manager/officer shall update records of Medium risk clients every two years.
- 18.3 Compliance manager/officer shall update records of low risk clients every three years.
- 18.4 Any account reclassified into high risk, approval shall be sought by the CEO/ Senior Management.
- 18.5 If the client has become a politically exposed person it should be reported to the CEO/Senior Management, who will decide the future course of action.
- 18.6 The Compliance Officer shall update client information if there is significant change in his trading pattern.
- 18.7 The Compliance Officer shall update client information if there is significant change in the information comes to his knowledge

For Asian Securities Limited


Company Secretary.

Asian Securities Ltd

Procedures for Know Your Customer, Customer Due Diligence, Anti Money Laundering/Counter Financing of Terrorism

Karachi, January 28, 2021

1. Opening an account

- 1.1 The client will submit a duly filled SAOF/ CRF along with other documents.
- 1.2 Screening of customer before opening an account is mandatory for all Account Holders, Joint Holders and their Nominee, Attorney, Beneficial Owners, BOD, Trustees, Office Bearers and other related persons in the consolidated list of Proscribed persons / Organization issued by United Nations Security Council (UNSC) and National Counter Terrorism Authority (NACTA).
- 1.3 If any the clients name is matched from the list, account opening cannot be processed and the CO shall register an STR with the FMU.
- 1.4 The Compliance Function shall conduct NADRA Verisys of Account Holder, Joint Account Holders, their Nominee, Beneficial Owner, BOD and Trustee.
- 1.5 In case of natural person, Compliance Officer shall determine if the client is the beneficial owner. If the beneficial owner is other than the client the CO shall identify the BO and put it on record.
- 1.6 In case of legal person the CO shall identify the natural person behind the legal person.
- 1.7 In case of complex legal structures the ultimate beneficial owner shall be identified.
- 1.8 Source of funds of all clients shall be identified.
- 1.9 Registration with Centralized KYC Organization is mandatory for (Resident/Non-Resident) Main Applicant and Joint Account Holders.
- 1.10 After successfully registered with CKO, customer will receive Unique Know Your Customer Number (UKN). Once the UKN is issued to a UIN, the same will be used by every broker and CDC-IAS to open his/her account(s) in future.
- 1.11 Biometric Verification is mandatory for each Resident Account Holder and Joint Account Holder.
- 1.12 For Resident Pakistanis mobile number shall be registered in the name of the Applicant or blood relative or his/her spouse.
- 1.13 Non Resident Pakistanis are exempted from the Biometric Verification.
- 1.14 The Compliance Officer shall carry out a risk assessment of the client. A point based risk assessment shall be adopted as in Annexure 1.

- 1.15 The Compliance Officer shall assign trading limits to the customer and share the information with the traders and the accounts department.
- 1.16 If the customer is marked as high risk approval from the CEO/Senior Management is mandatory.
- 1.17 The customer shall be marked as Domestic or Foreign Politically Exposed Person if the client holds a position in Public Office or in a power to influence decision making within the government machinery in their respective country.

2. Simplified Due Diligence

- 2.1 The Compliance Officer shall identify source of income of all clients.
- 2.2 Documented evidence shall be obtained.
- 2.3 Customer risk profiling shall be updated every 3 years.
- 2.4 A reasonable trading limit shall be assigned based on income of the customer.

3. Enhanced Due Diligence and Beneficial Ownership

- 3.1 For High risk customers the CO shall obtain documentation for the source of income.
- 3.2 The CO may obtain any information publicly available and place it on record.
- 3.3 The CO shall ensure that the Public information is reliable.
- 3.4 Where the authorized person is acting on behalf of the customer (natural person) the CO shall identify that the Beneficial owner. The CO may assess by measuring customers investment is in line with his income.
- 3.5 For legal persons and legal arrangements the CO shall understand the nature of the business and the risks associated with it with regards to ML/TF.
- 3.6 The CO shall understand the control structure of beneficial ownership of the client and in complex legal structures the ultimate beneficial ownership shall be identified.
- 3.7 CO shall go to such extent where the beneficial owner identified shall be a natural person.
- 3.8 Once a beneficial owner is identified his/her source of income shall be identified.
- 3.9 Source of income of Beneficial Owner shall be obtained from the client or credible public information shall be used.
- 3.10 Customers who have been classified as high risk shall be subject to enhanced due diligence.
- 3.11 The CO shall obtain more information e.g. Turnover, nature of transactions, jurisdiction from which the customer receives and makes payment.
- 3.12 High risk customers shall be subject to more frequent monitoring.
- 3.13 Relationship with high risk customers shall be subject to approval of the CEO/Senior Management.

3.14 High risk customers risk profiling shall be reviewed once a year or if the customer enters any new product offered by the Company. The risk assessment shall also be reviewed if there is any significant change in the profile of the customer, which shall also be notified to the CEO/Senior Management.

4. Risk Based Approach - Risk Assessment by Customer, Product, Delivery Channel and Location

4.1 The CO will assess and mark each client as high risk, Medium risk, low risk based on the point based system (Annexure 1).

4.2 CO will use Risk Rating Matrix to identify the ML/TF risk the customers pose to the company.

4.3 To ascertain the risk by customer the CO shall look at the number of clients as residents, non-residents, Foreigners, legal entities, foreign entities and PEP.

4.4 A greater percentage of high risk customers would pose a greater threat of ML, TF risk to the entity.

4.5 The CO shall determine risk associated with the products it is offering to the customers.

4.6 Risk associated with trading in the ready market shall be considered low risk if the customers are trading with the limits assigned based on their income.

4.7 The CO shall measure risk associated with delivery channel (transfer of funds) to the clients. High frequency of Cash Transactions shall be considered as high risk.

4.8 Customers residing in High risk Jurisdiction as defined by FATF or where threat of ML, TF is high as defined by the authorities within the country pose a higher risk the Company.

4.9 The CO shall assess the company's risk based on the above analysis and mitigate the risks by conducting Enhanced Due Diligence where necessary.

5. Receipts and Payments

5.1 For investment in equity clients shall pay via cross cheques in favor of Asian Securities Ltd from their own bank account.

5.2 Cash deposit up to PKR 25,000 may be allowed after approval of the CEO.

5.3 Cash transaction of RS 2 Million or more shall be reported to the Financial Monitoring Unit by the Compliance officer within 48 hours, however company's policy does not allow cash transaction of above Rs. 25,000.

5.4 Overseas Pakistanis or Foreign Nationals shall provide cheque from a bank account opened in Pakistan. They may issue cheque from SACRA account.

5.5 Inward remittance from abroad is not allowed.

5.6 Clients will be paid via cross cheques in the clients name.

5.7 Cash payment up to 25,000 may be allowed after approval of the CEO.

- 5.8 Foreign nationals/ Overseas Pakistanis shall be issued cross cheques in the name of the clients own name.
- 5.9 Outward foreign remittance is not allowed.
- 5.10 For legal persons cash deposit and withdrawal is not allowed under any circumstances.

6. Detect and Report Proscribed Persons

- 6.1 Compliance Officer shall daily update the list of Proscribed Persons from UNSC/NACTA websites via Vision Max software and screen the client database.
- 6.2 The CO shall Freeze the account immediately and report STR to FMU with in 48 hours in case of any match found.
- 6.3 If the relationship has not yet been established the CO shall not proceed with opening of the account and report it to the FMU.
- 6.4 Fortnightly screening and submit the report to CDC/PSX/NCCPL
- 6.5 Check SECP e-portal for any Notification/SRO on a daily basis.
- 6.6 Screen of Persons listed in Notification / SRO and respond to SECP within 3 days.


7. Monitoring transactions

- 7.1 The traders shall monitor the transactions of the customers and report any suspicious or unusual trading pattern to the Compliance Officer.
- 7.2 The Compliance Officer shall review daily trades and investigate any unusual trading pattern.
- 7.3 The compliance officer shall screen trading activity via Vision Max software for breach of trading limits assigned to each customer.
- 7.4 A weekly report shall be generated and recorded.
- 7.5 If any customer breaches limit and shall ask for source of funds if necessary.
- 7.6 If the customer is unable to explain the source he shall file STR with the FMU.
- 7.7 The compliance officer or any other officer of the company shall not tip off the customer that STR is being filed by the company.

8. Revision of Risk Assessment and Updation of Records

- 8.1 The Compliance Officer shall once a year review high risk clients profile and update for any changes that might have occurred.
- 8.2 The Compliance Officer shall once every two years review medium risk clients profile and update for any changes that might have occurred.
- 8.3 The Compliance Officer shall once every Three years review low risk clients profile and update for any changes that might have occurred.
- 8.4 The Compliance Officer shall update any information for clients as and when it comes to his knowledge.
- 8.5 If a client risk profile is reclassified to high risk approval from the CEO/ Senior Management shall be taken.

For Asian Securities Limited


Company Secretary.

POINT BASED SYSTEM**CUSTOMER**

1. POLITICALLY EXPOSED PERSON, ITS CLOSE ASSOCIATE OR FAMILY MEMBER

YES = 100 POINTS	NO=0 POINT
------------------	------------

2. HIGH NET WORTH CUSTOMER OR HIGH VALUE TRANSACTIONS

IF <20 MILLION	0 POINT
IF >20 MILLION & <30 MILLION	5 POINTS
IF >30 MILLION	10 POINTS

3. RELATIVELY COMPLEX CONTROL/ OWNERSHIP STRUCTURE

YES = 100 POINTS	NO=0 POINT
------------------	------------

4. UNCLEAR SOURCE OF FUNDS OR INCOME FROM UNDOCUMENTED SOURCES

YES = 100 POINTS	NO=0 POINT
------------------	------------

5. BENEFICIAL OWNERSHIP OF FUNDS MAY NOT BELONG TO CUSTOMER

YES = 25 POINTS	NO=0 POINT
-----------------	------------

6. RELATION ESTABLISHED THROUGH FACE-TO-FACE EXCL. FOREIGNERS & NON-RES

YES = 0 POINT	NO=100 POINTS
---------------	---------------

7. RESIDENCE STATUS OF CUSTOMER

PAKISTANI	0 POINT
NON RES PAKISTANI	100 POINTS
FOREIGN NATIONAL	100 POINTS

8. CUSTOMER IS INVOLVED IN THE FOLLOWING BUSINESS

OTHERS	0 POINT
AUDITOR/TAX CONS./ACCT	50 POINTS
DEALS IN PRECIOUS STONE	65 POINTS
LAWYER	65 POINTS
REAL ESTATE DEALER	100 POINTS

9. IS THE CUSTOMER AN IMPORTER/ EXPORTER

YES = 100 POINTS	NO=0 POINT
------------------	------------

10. FREQUENCY OF CASH SALES IN CUSTOMERS BUSINESS

NOT APPLICABLE	0 POINT
LOW	10 POINTS
MEDIUM	50 POINTS
HIGH	100 POINTS

PRODUCT / SERVICES

11. CUSTOMER SEEKS LEVERAGE (I.E. MTS) OR OTHER RISKIER PRODUCT/SERVICES

YES = 25 POINTS	NO=0 POINT
-----------------	------------

12. CUSTOMER SEEKS PRODUCT/SERVICE WHICH ALLOW FOR ANONYMITY

YES = 100 POINTS	NO=0 POINT
------------------	------------

CHANNEL

13. FREQUENCY OF WIRE-IN / WIRE-OUT OR INLAND ONLINE TRANSFERS

NEVER	0 POINT
LOW	5 POINTS
MODERATE	10 POINTS
HIGH	20 POINTS

14. FREQUENCY OF CASH BASED TRANSACTIONS

NEVER	0 POINT
LOW	5 POINTS
MODERATE	10 POINTS
HIGH	50 POINTS

15. PAYMENTS FROM 3RD PARTY ACCOUNT

YES = 100 POINTS	NO=0 POINT
------------------	------------

GEOGRAPHIC / LOCATION

16. CUSTOMER IS BASED OR LINKED TO HIGH RISK JURISDICTIONS AS PER FATF

YES = 100 POINTS	NO=0 POINT
------------------	------------

17. CUSTOMER IS BASED OR LINKED TO UN SANCTIONED COUNTRIES

YES = 100 POINTS	NO=0 POINT
------------------	------------

18. CUSTOMER LINK TO OFFSHORE CENTERS OR TAX HEAVENS

YES = 100 POINTS	NO=0 POINT
------------------	------------

19. CUSTOMER'S NOMINEE IS BASED OR LINKED TO HIGH RISK JURISDICTION

YES = 100 POINTS	NO=0 POINT
------------------	------------

20. AUTHORIZED PERSON IS BASED OR LINKED TO HIGH RISK JURISDICTION

YES = 100 POINTS	NO=0 POINT
------------------	------------

After completion of risk profiling of customer system assigns risk to customer on the basis of Risk Parameters defined below:

RISK PARAMETERS	
0-49	LOW
50-99	MODERATE
100 AND ABOVE	HIGH

For Asian Securities Limited


Company Secretary.