



M/S. **SHAFFI SECURITIES** (PVT) LTD.

TREC HOLDER

PAKISTAN STOCK EXCHANGE LTD.(PSX) TREC Certificate No: 266

Ref. No. _____

Date: 23-11-2018

The Acting Chief Regulatory Officer,
Pakistan Stock Exchange Ltd,
Lahore.

Subject:- Reporting By Securities Brokers Under AML and CFT Regulations, 2018

Dear Sir,

With due respect that in response to PSX notice#N-6421 as on November 20, 2018 regarding submission of 'Reporting By Securities Brokers Under AML and CFT Regulations, 2018'. In this regard we are going to submit you the following documents that are as under:-

- Copy of updated AML and KYC policy duly approved by Board of Directors

We are continuously contacted with our software vender for updation of software so that we can complete our information as per annexure 1 & 2. Our vender ensure us soon the updation would be completed. Now we are going to submit you the 'Copy of updated AML and KYC policy duly approved by Board of Directors' and would submit you the annexure 1 and 2 very soon. In the mean time we are preparing manually data for annexure 1 and 2 and to be completed soon in near future.

Thank you,

Yours truly,

M/s Shaffi Sec(Pvt) Ltd



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Anti-Money Laundering (AML)

Policy Compliance and Supervisory Procedures

Company's Policy

It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will be used later for criminal purposes. All employees of M/s. Shaffi Securities Pvt Limited are required to receive a copy of the Company's AML policy and are required to follow such policy and procedures. If an employee is caught violating any portion of the Company's AML policies and procedures, a meeting with the AML Compliance Officer will occur, with the employee given written warning of such violation. If the employee violates the AML policies and procedures for the second time, immediate termination will occur.

AML Compliance Officer Designation and Duties

The Company designates an employee as its Anti-Money Laundering Program Compliance Officer, with full responsibility for the Company's AML program. The duties of the AML Compliance Officer will include monitoring the Company's AML compliance, overseeing communication and training for employees. The AML Compliance Officer will also ensure that proper AML records are kept.

Giving AML Information to Law Enforcement Agencies and Other Financial Institutions

We will respond to Law Agencies and Other Financial Institutions request about accounts or transactions by reporting the identity of the specified individual or organization, the account number, all identifying information provided by the account holder when an account was established, and the date and type of transaction.

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We will share information about those suspected of terrorism and money laundering with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities.

Customer Identification and Verification

We will, at a minimum: verify, to the extent reasonable and practicable, the identity of any client seeking to open an account; maintain records of information used to verify a client's identity and check that a client does not appear on government terrorist lists. The kinds of information that we will collect before opening different types of accounts are listed below.

We will collect the following information for all accounts, if applicable, for any person, entity or organization who is opening a new account and whose name is on the account: the name and mailing and residential (or principal place of business) street address of the client; the client's date of birth; an alien identification card number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other biometric safeguard. If it's a foreign business, we will require a government issued identification numbers or other government issued documentation certifying the existence of the business or enterprise.

High Risk and Non-Cooperative Jurisdictions – We will especially scrutinize accounts that are located in problematic countries. We will check the lists (Exhibit 1)

The FATF' International Cooperation Review Group prepares a list of non-cooperative countries and territories. This list will be also being consulted. FATF's primary role is to set global AML standards and ensure the effective implementation of these standards in all jurisdictions. Enhanced global compliance with the standards reduces money laundering risks to the international financial system, and increases transparency and effective international cooperation. In addition to the FATF's evaluation programs and follow- up processes, the FATF uses additional mechanisms to identify and to respond to jurisdictions with strategic deficiencies in their AML regimes that pose a risk to the international financial system and impede efforts to combat money laundering and terrorist financing.

Customers Who Refuse To Provide Information

If a potential or existing client either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open a new account and, after considering the risks involved, consider closing any existing account. The Company will also refuse any account which is determined to be "high risk" by the compliance officer.

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Ref. No. Whether or not to accept an account from a high-risk business is determined on a case-by-case basis after taking into account all the facts and circumstances of each case. For example, M/s. Shaffi Securities Pvt Limited will evaluate such criteria such as the size of the account being opened, and ATI's familiarity with the client. If a high-risk business account is opened, it will be monitored closely on an on-going basis to determine if any unusual cash movement or trading activity is occurring.

Verifying Information

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our clients by using risk-based procedures to verify and document the accuracy of the information we get about our clients. In verifying client identity, we will analyze any logical inconsistencies in the information we obtain.

We will verify client identity through documentary evidence, non-documentary evidence, or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. We may also use such non- documentary means, after using documentary evidence, if we are still uncertain about whether we know the true identity of the customer. We will provide notice to the customer that we are requesting additional information to verify the customer's identity. We will not open a client account if we cannot form a reasonable belief of the client's true identity. If the client's identity cannot be proven, a SAR will be filed if warranted by the compliance officer.

Appropriate documents for verifying the identity of natural persons include the following: An unexpired driver's license, passport, or other government identification showing nationality, residence, and photograph or other biometric safeguard, an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard.

Supervisory Procedures for Opening Accounts

Our new account opening procedure is modified to collect and use information on the account holder's wealth, net worth, and sources of income to detect and deter possible money laundering and terrorist financing. The review of AML Compliance Officer will be documented and noted. This review will include why any account is opened absent any required information.

Monitoring Accounts For Suspicious Activity

We will manually monitor a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, geographic factors such as

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Ref. No. _____ whether jurisdictions designated as "non cooperative" are involved, or any of the "Red Flags" identified below. We will look at transactions, including deposits and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction for that customer. The AML Compliance Officer or his or her designee will be responsible for this monitoring, will document when and how it is carried out, and will report suspicious activities to the appropriate authorities.

Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

- The client exhibits unusual concern about the Company's compliance with government reporting requirements and the Company's AML policies, particularly on his or her identity, type of business and assets, or is reluctant, or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
- The client wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the client's stated business or investment strategy.
- The information provided by the client that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the client refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The client (or a person publicly associated with the client) has a questionable background, or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The client exhibits a lack of concern regarding risks of the investment.
- The client appears to be acting as an agent for an undisclosed principal, but declines, or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity. The client has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The client attempts to make frequent or large deposits of currency, or asks for exemptions from the Company's policies relating to the deposit of cash and cash equivalents.
- For no apparent reason, the client has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- The client is from, or has accounts in, a country identified as a non-cooperative country.
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- The client's account shows numerous currency or cashier's check transactions aggregating to significant sums.
- The client's account has wire transfers that have no apparent business purpose to or from a country identified as money laundering risk or a bank secrecy haven.
- The client's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- The client makes a funds deposit followed by an immediate request that the money be wired or transferred to a third party, or to another Company, without any apparent business purpose.
- The client makes a funds deposit for purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- The client engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The client requests that a transaction be processed to avoid the Company's normal documentation requirements.
- The client maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The client's account has inflows of funds or other assets well beyond the known income or resources of the customer.
- Responding to Red Flags and Suspicious Activity

When a member of the Company detects any red flag he or she will investigate further under the direction of the AML

Compliance Officer. This may include gathering additional information internally or from third party sources, contacting the government, freezing the account.

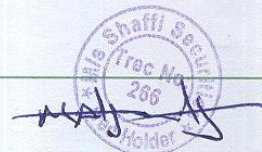
Program to Test AML Program

The Company will hire an independent, qualified party to provide an annual independent audit of our AML policies and procedures, and the compliance with said procedures. The Company will perform written follow-up to insure that any deficiencies noted during its annual review are addressed and corrected.

The Company will confirm with its AML audit firm that their audit program includes the following:

1. Audit objectives and scope of the exam;
2. Any recommendations on improving the AML program;

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Ref. No. 3. A discussion of any noted deficiencies and an action plan to be implemented by management to address these deficiencies; and

4. An overall opinion of the adequacy of the Company's AML program

A report of the independent review shall be addressed to senior management with a copy being maintained by the Company's AML Compliance Officer.

Monitoring Employees, Employee Conduct, and Accounts

The Company's compliance officer will conduct a background check, including a check of any criminal records, on all new employees hired by the firm. Any suspicious or questionable background information will be discussed with the Company's managing director prior to making any final employment decision.

If employees have trading accounts, we will subject employee accounts to the same AML procedures as client accounts, under the supervision of the AML Compliance Officer

Confidential Reporting of AML Non-Compliance

Employees will report any violations of the Company's AML compliance program to the AML Compliance Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to other firm principals. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Regards

Shaffi Securities Pvt Ltd



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