



M/S.

SHAFFI SECURITIES (PVT) LTD.

TREC HOLDER

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

Ref. No. _____

Date: _____

SHAFFI SECURITIES (PVT) LIMITED

AML/CFT POLICY & PROCEDURES

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Page 1

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01



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

TREC HOLDER

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

Ref. No. _____

Date: _____

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM POLICIES & PROCEDURES

Policy Statement The SHAFFI SECURITIES (PRIVATE) LIMITED is committed to fully comply with all applicable laws and regulations regarding anti money laundering procedures. SHAFFI SECURITIES (PRIVATE) LIMITED has adopted and will enforce the provisions set forth in AML/CFT Regulations in order to prevent and detect money laundering, terrorist financing and other illegal activities. Therefore, it is imperative that every member, officer, director, and employee (each, an "Employee") is familiar with and complies with the policy and procedures set forth in this document. This Compliance Statement is designed to assist all clients in adhering to SHAFFI SECURITIES (PRIVATE) LIMITED's policy and procedures, which, if followed diligently, are designed to protect themselves, SHAFFI SECURITIES (PRIVATE) LIMITED, its Employees, its facilities and its activities from money laundering or other illegal activities. To ensure that the SHAFFI SECURITIES (PRIVATE) LIMITED's policies and procedures are adhered to, SHAFFI SECURITIES (PRIVATE) LIMITED shall designate an Anti-Money Laundering Compliance Officer (the "Compliance Officer"). The Compliance Officer is responsible for establishing and conducting Employee training programs to ensure that all appropriate Employees are aware of the applicable AML/CFT Laws and Regulations, SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT Policies & procedures and their responsibilities with respect to these policies. To ensure that the SHAFFI SECURITIES (PRIVATE) LIMITED's policies and procedures are adhered to, SHAFFI SECURITIES (PRIVATE) LIMITED shall designate an Anti-Money Laundering Compliance Officer (the "Compliance Officer"). The Compliance Officer is responsible for establishing and conducting Employee training programs to ensure that all appropriate Employees are aware of the applicable AML/CFT Laws and Regulations, SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT Policies & procedures and their responsibilities with respect to these policies.

Objectives of SHAFFI SECURITIES (PRIVATE) LIMITED's Anti-Money Laundering / Counter Financing of Terrorism Policy and Procedures

An effective Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") regime requires financial institutions to adopt and effectively implement Appropriate ML and TF control processes and procedures, not only as a principle of good Governance but also as an essential tool to avoid involvement in ML and TF. AML and CFT Regime Is governed under "Governing Laws, Rules, and Regulations" Comply with all AML/CFT Rules & Regulations of the jurisdictions it operates in; Appointment of a Compliance Officer who shall ensure adherence to the SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT Policy and Procedures; Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which SHAFFI SECURITIES (PRIVATE) LIMITED or its employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal



02



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

TREC HOLDER

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

Ref. No. _____

Date: _____

activities; Require all Employees to attend anti-money laundering training sessions, so that all such Employees are aware of their responsibilities under SHAFFI SECURITIES (PRIVATE) LIMITED's policies and procedures; and as affected by current developments with respect to anti-money laundering events.

Guidelines On SECP AML/CFT Regulations

The Guidelines are applicable to all Regulated Persons ("RPs") including Securities Brokers as defined under the SECP AML/CFT Regulations conducting relevant financial business and designed to assist RPs in complying with the Regulations. It supplements the Regulations and the AML/CFT regime by clarifying and explaining the general requirements of the legislation to help RPs in applying national AML/CFT measures, developing an effective AML/CFT risk assessment and compliance framework suitable to their business, and in particular, in detecting and reporting suspicious activities

What is Money Laundering?

Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activities are transformed into funds with an apparently legal source. Money laundering has many destructive consequences both for society as a whole and for those entities involved in money laundering activities. With respect to society as whole, money laundering may provide resources for drug dealers, terrorists and other criminals to operate and expand their criminal activities. With respect to entities, any involvement whether it be to instigate, assist, conceal, or ignore the source, nature, location, ownership or control of money laundering activities, can lead to both civil and criminal proceedings against both the individual and the entity involved. Additionally, the adverse effects, including the adverse publicity to the Firm associated with involvement in money laundering events cannot be emphasized enough. Money laundering transactions may include: Advising a potential or existing client on how to structure a transaction to avoid reporting and/or record keeping requirements; Engaging in any activity while willfully or recklessly disregarding the source of the funds or the nature of the Clients transaction; Engaging in any activity designed to hide the nature, location, source, ownership or control of proceeds of criminal activity; Dealing in funds to facilitate criminal activity; or Dealing in the proceeds of criminal activity. Money laundering can involve the proceeds of drug dealings, terrorist activities, arms dealings, mail fraud, bank fraud, wire fraud or securities fraud, among other activities.

What Is Terrorist Financing?

Terrorist financing refers to the processing of funds to sponsors involved in or those who facilitate terrorist activity. Terrorist individuals/ groups/ organization derive income from a



03



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

TREC HOLDER

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

Ref. No. _____

Date: _____

variety of sources, often combining both lawful and unlawful funding, and where the agents involved do not always know the illegitimate end of that income. The forms of such financing can be grouped into two types: 5.1 Financial Support - In the form of donations, community solicitation and other fundraising initiatives. Financial support may come from states and large organizations, or from individuals. 5.2 Revenue Generating Activities - Income is often derived from criminal activities such as kidnapping, extortion, smuggling or fraud. Income may also be derived from legitimate economic activities such as diamond trading or real estate investment.

Risk Assessment And Applying A Risk Based Approach

The SECP AML/CFT Regulations move emphasis from one-size-fits-all approach to Risk Based Approach ('RBA'), requiring SHAFFI SECURITIES (PRIVATE) LIMITED to carryout ML/TF risk assessment and apply RBA to prevent or mitigate ML and TF. • SHAFFI SECURITIES (PRIVATE) LIMITED, before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied, take into account all the relevant risk factors, such as geography, products and services, delivery channels, types of customers, or jurisdictions within which it or its customers do business. As is the case for SHAFFI SECURITIES (PRIVATE) LIMITED' overall risk management, SHAFFI SECURITIES (PRIVATE) LIMITED' senior management should understand the nature and level of the risks that they are exposed to and ensure that systems and processes are in place to identify, assess, monitor, manage and mitigate ML/TF risks. • The RBA enables SHAFFI SECURITIES (PRIVATE) LIMITED to ensure that AML/CFT measures are commensurate to the risks identified and allow resources to be allocated in the most efficient ways. SHAFFI SECURITIES (PRIVATE) LIMITED should develop an appropriate RBA for their organization, structure and business activities and apply the RBA on a group-wide basis, where appropriate. As a part of the RBA, SHAFFI SECURITIES (PRIVATE) LIMITED: i. Identify ML/TF risks relevant to them; ii. Assess ML/TF risks in relation to a. Their customers(including beneficial owners); b. Country or geographic area in which its customers reside or operate and where SHAFFI SECURITIES (PRIVATE) LIMITED operates; c. Products ,services and transactions that SHAFFI SECURITIES (PRIVATE) LIMITED offers; and d. Their delivery channels. iii. Design and implement policies, controls and procedures that are approved by its Board of Directors to manage and mitigate the ML/TF risks identified and assessed; iv. Monitor and evaluate the implementation of mitigating controls and improve systems where necessary; v. Keep their risk assessments current through ongoing reviews and, when necessary, updates; vi. Document the RBA including implementation and monitoring procedures and updates to the RBA; and vii. Have appropriate mechanisms to provide risk assessment information to the Commission. • Under the RBA, where there are higher risks, SHAFFI SECURITIES (PRIVATE) LIMITED are required to take enhanced measures to manage and mitigate those risks; and correspondingly, where the risks are lower,





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

TREC HOLDER

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

Date: _____

Ref. No. _____

simplified measures may be permitted. However, simplified measures are not permitted whenever there is a suspicion of ML/TF. In the case of some very high- risk situations or situations which are outside SHAFFI SECURITIES (PRIVATE) LIMITED's risk tolerance, SHAFFI SECURITIES (PRIVATE) LIMITED may decide not to take on the accept the customer, or to exit from the relationship. • Since the nature of the TF differs from that of ML, the risk assessment must also include an analysis of the vulnerabilities of TF. Many of the CFT measures entities have in place will overlap with their AML measures. These may cover, for example, risk assessment, CDD checks, transaction monitoring, and escalation of suspicion and liaison relationships with the authorities. The guidance provided in these guidelines, therefore, applies to CFT as it does to AML, even where it is not explicitly mentioned. • The process of ML/TF risk assessment has four stages: a) Identifying the area of the business operations susceptible to ML/TF b) Conducting an analysis in order to assess the likelihood and impact of ML/TF; c) Managing the risks; and d) Regular monitoring and review of those risks.

Identification, Assessment and Understanding Risks

• SHAFFI SECURITIES (PRIVATE) LIMITED understand, identify and assess the inherent ML/TF risks posed by its customer base, products and services offered, delivery channels and the jurisdictions within which it or its customers do business, and any other relevant risk category. The risk assessment policies and procedures adopted by SHAFFI SECURITIES (PRIVATE) LIMITED should be appropriate to their size, nature and complexity. • ML/TF risks may be measured using several risk categories and for each category applying various factors to assess the extent of the risk for determining the overall risk classification (e.g. high, medium or low). SHAFFI SECURITIES (PRIVATE) LIMITED should make their own determination as to the risk weights to be given to the individual risk factors or combination of risk factors. When weighing risk factors, SHAFFI SECURITIES (PRIVATE) LIMITED should take into consideration the relevance of different risk factors in the context of a customer relationship. • In the second stage, the ML/TF risks that can be encountered by SHAFFI SECURITIES (PRIVATE) LIMITED need to be assessed analyzed as a combination of the likelihood that the risks will occur and the impact of cost or damages if the risks occur. This impact can consist of financial loss to SHAFFI SECURITIES (PRIVATE) LIMITED from the crime, monetary penalties from regulatory authorities or the process of enhanced mitigation measures. It can also include reputational damages to the business or the entity itself. The analysis of certain risk categories and their combination is specific for SHAFFI SECURITIES (PRIVATE) LIMITED so that the conclusion on the total risk level must be based on the relevant information available. • For the analysis, SHAFFI SECURITIES (PRIVATE) LIMITED identify the likelihood that these types or categories of risk will be misused for ML and/or for TF purposes. This likelihood is for instance high, if it can occur several times per year, medium if it can occur once per year and low if it is unlikely, but not possible. In assessing the impact, SHAFFI

05





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

TREC HOLDER

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

Date: _____

SECURITIES (PRIVATE) LIMITED can, for instance, look at the financial damage by the crime itself or from regulatory sanctions or reputational damages that can be caused. The impact can vary from minor if they is an only short- term or there are low-cost consequences, to very major, when they are found to be very costly inducing long-term consequences that affect the proper functioning of the institution.

Risk Mitigation and Applying Risk Based Approach.- SHAFFI SECURITIES (PRIVATE) LIMITED •

develop and implement policies, procedures and controls, which are approved by its board of directors, to enable the Company to effectively manage and mitigate the risks that are identified in the risk assessment of ML/TF or notified to it by the Commission; • monitor the implementation of those policies, procedures and controls and enhance them if necessary; • perform enhanced measures where higher risks are identified, to effectively manage and mitigate those higher risks; and • have an independent audit function to test the system.

Risk Mitigation

i. SHAFFI SECURITIES (PRIVATE) LIMITED have appropriate policies, procedures and controls that enable them to manage and mitigate effectively the inherent risks that they have identified, including the national risks. They should monitor the implementation of those controls and enhance them, if necessary. The policies, controls and procedures should be approved by senior management, and the measures taken to manage and mitigate the risks (whether higher or lower) should be consistent with legal and regulatory requirements. ii. The nature and extent of AML/CFT controls will depend on several aspects, which include: 1) The nature, scale and complexity of SHAFFI SECURITIES (PRIVATE) LIMITED's business 2) Diversity, including geographical diversity of SHAFFI SECURITIES (PRIVATE) LIMITED's operations 3) SHAFFI SECURITIES (PRIVATE) LIMITED's customer, product and activity profile 4) Volume and size of transactions 5) Extent of reliance or dealing through third parties or intermediaries. iii. Some of the risk mitigation measures that SHAFFI SECURITIES (PRIVATE) LIMITED may consider include: 1) determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by customers; 2) setting transaction limits for higher-risk customers or products; 3) requiring senior management approval for higher-risk transactions, including those involving PEPs; 4) determining the circumstances under which they may refuse to take on or terminate/cease high risk customers/products or services; determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customer such as PEPs)

New Products, Practices and Technologies.-

SHAFFI SECURITIES (PRIVATE) LIMITED- • identify and assess the money laundering and terrorism financing risks that may arise in relation to- (i) | the development of new products and new business practices, including new delivery mechanisms; and (ii) the use of new or





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

TREC HOLDER

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

Date: _____

Ref. No. _____

developing technologies for both new and preexisting products: • undertake the risk assessments, prior to the launch or use of such products, practices and technologies, and SHAFFI SECURITIES (PRIVATE) LIMITED take appropriate measures to manage and mitigate the risks, • in complying with the requirements of clauses (a) and (b), pay special attention to any new products and new business practices, including new delivery mechanisms; and new or developing technologies that favor anonymity,

. Anti-Money Laundering Compliance Officer

The SHAFFI SECURITIES (PRIVATE) LIMITED has appointed a dedicated Compliance Officer to oversight the Compliance function who will be reporting to the Board of Directors of the SHAFFI SECURITIES (PRIVATE) LIMITED. Any Employee shall immediately notify the Compliance Officer if he/she suspects or has any reason to suspect that any potentially suspicious activity has occurred or will occur if a transaction is completed. Employees are encouraged to seek the assistance of the Compliance Officer with any questions or concerns they may have with respect to the SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT Policy & Procedures. • Responsibilities of the Compliance Officer include the following: • Review of Account Opening Forms and sign off from Compliance perspective • Coordination and monitoring of SHAFFI SECURITIES (PRIVATE) LIMITED's day-to-day compliance with applicable Anti-Money Laundering Laws and Regulations and SHAFFI SECURITIES (PRIVATE) LIMITED's own AML/CFT Policy and Procedures; Conducting Employee training programs for appropriate personnel related to the SHAFFI SECURITIES (PRIVATE) LIMITED's • AML/CFT policy and procedures and maintaining records evidencing such training; • Receiving and reviewing any reports of suspicious activity from Employees; Determining whether any suspicious activity as reported by an Employee warrants reporting to senior management of the Firm; • Coordination of enhanced due diligence procedures regarding Clients; and Responding to both internal and external inquiries regarding SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT policy and procedures.

. Reporting of Suspicious Transactions / Currency Transaction Report

Reporting of Transactions (STRs/CTRs).-

- SHAFFI SECURITIES (PRIVATE) LIMITED comply with the provisions of the AML Act and rules, regulations and directives issued there under for reporting suspicious transactions/currency transactions in the context of money laundering or financing of terrorism.
- SHAFFI SECURITIES (PRIVATE) LIMITED implement appropriate internal policies, procedures and controls for meeting their obligations under the AML Act.
- SHAFFI SECURITIES (PRIVATE) LIMITED pay special attention to all complex and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions SHAFFI SECURITIES (PRIVATE) LIMITED, as far as



07



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

TREC HOLDER

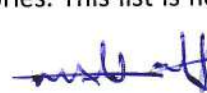
PAKISTAN STOCK EXCHANGE LTD. (PSX) TREC Certificate No: 266

Ref. No. _____

Date: _____

possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.

- The transactions, which are out of character, are inconsistent with the history, Page 12 of 21 pattern, or normal operation of the account or are not commensurate with the level of income of a customer SHAFFI SECURITIES (PRIVATE) LIMITED be viewed with suspicion, be properly investigated and referred to Compliance Officer for possible reporting to FMU under the AML Act.
- SHAFFI SECURITIES (PRIVATE) LIMITED 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, Act.
- The basis of deciding whether an STR is being filed or not SHAFFI SECURITIES (PRIVATE) LIMITED be documented and kept on record together with all internal findings and analysis done in relation to a suspicion irrespective of the fact that transaction is subsequently reported or not.
- The employees of SHAFFI SECURITIES (PRIVATE) LIMITED are strictly prohibited to disclose the fact to the customer or any other quarter that a STR or related information is being or has been reported to any authority, except if required by law. SHAFFI SECURITIES (PRIVATE) LIMITED without disclosing the contents of STRs, SHAFFI SECURITIES (PRIVATE) LIMITED intimate to the Commission on biannual basis the number of STRs reported to FMU and the SHAFFI SECURITIES (PRIVATE) LIMITED ensure that status report (indicating No. of STRs only) SHAFFI SECURITIES (PRIVATE) LIMITED reach the AML Department within seven days of close of each half year. A suspicious activity will often be one that is inconsistent with a customer's known, legitimate activities or with the normal business for that type of account. Where a transaction is inconsistent in amount, origin, destination, or type with a customer's known, legitimate business or personal activities, the transaction must be considered unusual, and SHAFFI SECURITIES (PRIVATE) LIMITED should put "on enquiry". SHAFFI SECURITIES (PRIVATE) LIMITED should also pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.
- Where the enquiries conducted by SHAFFI SECURITIES (PRIVATE) LIMITED do not provide a satisfactory explanation of the transaction, it may be concluded that there are grounds for suspicion requiring disclosure and escalate matters to the AML/CFT CO.
- Enquiries regarding complex, unusual large transactions, and unusual patterns of transactions, their background, and their result should be properly documented, and made available to the relevant authorities upon request. Activities which should require further enquiry may be recognizable as falling into one or more of the following categories. This list is not meant to be






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

TREC HOLDER

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

Ref. No. _____

Date: _____

exhaustive, but includes: (1) any unusual financial activity of the customer in the context of the customer's own usual activities; (2) any unusual transaction in the course of some usual financial activity; (3) any unusually linked transactions; (4) any unusual method of settlement; (5) any unusual or disadvantageous early redemption of an investment product; (6) any unwillingness to provide the information requested.

- Where cash transactions are being proposed by customers, and such requests are not in accordance with the customer's known reasonable practice, SHAFFI SECURITIES (PRIVATE) LIMITED will need to approach such situations with caution and make further relevant enquiries. Depending on the type of business SHAFFI SECURITIES (PRIVATE) LIMITED conducts and the nature of its customer portfolio, SHAFFI SECURITIES (PRIVATE) LIMITED may wish to set its own parameters for the identification and further investigation of cash transactions.
- Where SHAFFI SECURITIES (PRIVATE) LIMITED has been unable to satisfy that any cash transaction is reasonable, and therefore should be considered as suspicious. SHAFFI SECURITIES (PRIVATE) LIMITED is also obligated to file Currency Transaction Report (CTR), for a cash-based transaction involving payment, receipt, or transfer of Rs. 2 million and above.
- If SHAFFI SECURITIES (PRIVATE) LIMITED decides that a disclosure should be made, the law require SHAFFI SECURITIES (PRIVATE) LIMITED to report STR without delay to the FMU, in standard form as prescribed under AML Regulations 2018. The STR prescribed reporting form can be found on FMU website through the link below.
- The process for identifying, investigating and reporting suspicious transactions to the FMU should be clearly specified in the reporting entity's policies and procedures and communicated to all personnel through regular training.
- SHAFFI SECURITIES (PRIVATE) LIMITED is required to report total number of STRs filed to the Commission on bi- annual basis within seven days of close of each half year. The CO should ensure prompt reporting in this regard.
- Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of: (1) the date of the report; (2) the person who made the report; (3) the person(s) to whom the report was forwarded; and (4) reference by which supporting evidence is identifiable. It is normal practice for SHAFFI SECURITIES (PRIVATE) LIMITED to turn away business that they suspect might be criminal in intent or origin. Where an applicant or a customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), consideration should be given to filing a STR. Also, where an attempted transaction gives rise to knowledge or suspicion of ML/TF, that attempted transaction should be reported to the FMU. Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity SHAFFI SECURITIES (PRIVATE) LIMITED should ensure that appropriate action is taken to adequately



Ref. No. _____

mitigate the risk of SHAFFI SECURITIES (PRIVATE) LIMITED being used for criminal activities. This may include a review of either the risk classification of the customer or account or of the entire relationship itself. Appropriate action may necessitate escalation to the appropriate level of decision-maker to determine how to handle the relationship, taking into account any other relevant factors, such as cooperation with law enforcement agencies or the FMU. basis within seven days of close of each half year. The CO should ensure prompt reporting in this regard.

- Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of: (1) the date of the report; (2) the person who made the report; (3) the person(s) to whom the report was forwarded; and (4) reference by which supporting evidence is identifiable. It is normal practice for SHAFFI SECURITIES (PRIVATE) LIMITED to turn away business that they suspect might be criminal in intent or origin. Where an applicant or a customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), consideration should be given to filing a STR. Also, where an attempted transaction gives rise to knowledge or suspicion of ML/TF, that attempted transaction should be reported to the FMU. Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity SHAFFI SECURITIES (PRIVATE) LIMITED should ensure that appropriate action is taken to adequately mitigate the risk of SHAFFI SECURITIES (PRIVATE) LIMITED being used for criminal activities. This may include a review of either the risk classification of the customer or account or of the entire relationship itself. Appropriate action may necessitate escalation to the appropriate level of decision-maker to determine how to handle the relationship, taking into account any other relevant factors, such as cooperation with law enforcement agencies or the FMU.

Cash Transactions(CTR)

- *. Where cash transactions are being proposed by Customers, and such requests are not in accordance with the customer's known reasonable practice, the SHAFFI SECURITIES (PRIVATE) LIMITED will need to approach such situations with caution and make further relevant enquiries.
- * Where the SHAFFI SECURITIES (PRIVATE) LIMITED has been unable to satisfy that any cash transaction is reasonable, and therefore should be considered as suspicious. It is also obligated to file Currency Transaction Report (CTR), for a cash-based transaction involving payment, receipt, or transfer of Rs. 2 million and above. *. If the SHAFFI SECURITIES (PRIVATE) LIMITED decides that a disclosure should be made, the law requires the MSL to report STR without delay to the FMU, in standard form as prescribed under AML Regulations 2015. The STR prescribed reporting form can be found on FMU website through the



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

TREC HOLDER

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

Date: _____

Internal Controls (Audit Function, Outsourcing, Employee Screening And Training)

- SHAFFI SECURITIES (PRIVATE) LIMITED are expected to have systems and controls that are comprehensive and proportionate to the nature, scale and complexity of their activities and the ML/TF risks they identified. SHAFFI SECURITIES (PRIVATE) LIMITED should establish and maintain internal controls in relation to: 1. an audit function to test the AML/CFT systems, policies and procedures; 2. outsourcing arrangements; 3. employee screening procedures to ensure high standards when hiring employees; and 4. an appropriate employee training program.
- The type and extent of measures to be taken should be appropriate to the ML/TF risks, and to the size of SHAFFI SECURITIES (PRIVATE) LIMITED.

Audit Function

A SHAFFI SECURITIES (PRIVATE) LIMITED should, on a regular basis, conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT policies and procedures. The frequency of the audit should be commensurate with SHAFFI SECURITIES (PRIVATE) LIMITED's nature, size, complexity, and risks identified during the risk assessments. The AML/CFT audits should be conducted to assess the AML/CFT systems which include:

- test the overall integrity and effectiveness of the AML/CFT systems and controls;
- assess the adequacy of internal policies and procedures in addressing identified risks, including; (a) CDD measures; (b) Record keeping and retention; (c) Third party reliance; and (d) Transaction monitoring;
- assess compliance with the relevant laws and regulations;
- test transactions in all areas of SHAFFI SECURITIES (PRIVATE) LIMITED, with emphasis on high-risk areas, products and services; • assess employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;
- assess the adequacy, accuracy and completeness of training programs;
- assess the effectiveness of compliance oversight and quality control including
- Parameters for automatic alerts(if any), and assess the adequacy of SHAFFI SECURITIES (PRIVATE) LIMITED's process of identifying suspicious activity including screening sanctions lists.





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

TREC HOLDER

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

Date: _____

Ref. No. _____

Outsourcing

SHAFFI SECURITIES (PRIVATE) LIMITED shall maintain policies and procedures in relation to outsourcing where they intend to outsource some of their functions. SHAFFI SECURITIES (PRIVATE) LIMITED conduct the due diligence on the proposed service provider to whom it intends to outsource as appropriate and also ensure that the service provider ("OSP") is fit and proper to perform the activity that is being outsourced.

- Where SHAFFI SECURITIES (PRIVATE) LIMITED decides to enter into an outsourcing arrangement, SHAFFI SECURITIES (PRIVATE) LIMITED ensure that the outsourcing agreement clearly sets out the obligations of both parties. SHAFFI SECURITIES (PRIVATE) LIMITED entering into an outsourcing arrangement should develop a contingency plan and a strategy to exit the arrangement if the OSP fails to perform the outsourced activity as agreed.
- The OSP should report regularly to SHAFFI SECURITIES (PRIVATE) LIMITED within the timeframes as agreed upon with SHAFFI SECURITIES (PRIVATE) LIMITED. SHAFFI SECURITIES (PRIVATE) LIMITED should have access to all the information or documents relevant to the outsourced activity maintained by the OSP. SHAFFI SECURITIES (PRIVATE) LIMITED must not enter into outsourcing arrangements where access to data without delay is likely to be impeded by confidentiality, secrecy, privacy, or data protection restrictions.
- SHAFFI SECURITIES (PRIVATE) LIMITED ensure that the outsourcing agreement requires OSPs to file a STR with the FMU in case of suspicions arising in the course of performing the outsourced activity.

Employee Screening

- SHAFFI SECURITIES (PRIVATE) LIMITED should maintain adequate policies and procedures to screen prospective and existing employees to ensure high ethical and professional standards when hiring. The extent of employee screening should be proportionate to the potential risk associated with ML/TF in relation to the business in general, and to the risks associated with the individual positions.
- Employee screening should be conducted at the time of recruitment, periodically thereafter, i.e., at least annually and where a suspicion has arisen as to the conduct of the employee.
- SHAFFI SECURITIES (PRIVATE) LIMITED ensure that their employees are competent and proper for the discharge of





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

TREC HOLDER

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

Date: _____

the responsibilities allocated to them. While determining whether an employee is fit and proper, SHAFFI SECURITIES (PRIVATE) LIMITED may:

- (1) Verify the references provided by the prospective employee at the time of recruitment
- (2) Verify the employee's employment history, professional membership and qualifications
- (3) Verify details of any regulatory actions or actions taken by a professional body
- (4) Verify details of any criminal convictions; and
- (5) Verify whether the employee has any connections with the sanctioned countries or parties.

. Anti-Money Laundering Employee Training Program •

SHAFFI SECURITIES (PRIVATE) LIMITED should ensure that all appropriate staff, receive training on ML/TF prevention on a regular basis, ensure all staff fully understand the procedures and their importance, and ensure that they fully understand that they will be committing criminal offences if they contravene the provisions of the legislation.

- Training to staff should be provided at least annually, or more frequently where there are changes to the applicable legal or regulatory requirements or where there are significant changes to SHAFFI SECURITIES (PRIVATE) LIMITED's business operations or customer base.
- SHAFFI SECURITIES (PRIVATE) LIMITED should provide their staff training in the recognition and treatment of suspicious activities. Training should also be provided on the results of SHAFFI SECURITIES (PRIVATE) LIMITED's risk assessments. Training should be structured to ensure compliance with all of the requirements of the applicable legislation.
- Staff should be aware on the AML/CFT legislation and regulatory requirements, systems and policies. They should know their obligations and liability under the legislation should they fail to report information in accordance with internal procedures and legislation. All staff should be encouraged to provide a prompt and adequate report of any suspicious activities.
- All new employees should be trained on ML/TF know the legal requirement to report, and of their legal obligations in this regard.
- SHAFFI SECURITIES (PRIVATE) LIMITED consider obtaining an undertaking from their staff members (both new and existing) confirming that they have attended the training on






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

TREC HOLDER

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

Date: _____

AML/CFT matters, read SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT manuals, policies and procedures, and understand the AML/CFT obligations under the relevant legislation.

Staff members who deal with the public such as sales persons are the first point of contact with potential money launderers, and their efforts are vital to an organization's effectiveness in combating ML/TF. Staff responsible for opening new accounts or dealing with new customers should be aware of the need to verify the customer's identity, for new and existing customers. Training should be given on the factors which may give rise to suspicions about a customer's activities, and actions to be taken when a transaction is suspicious.

- Staff involved in the processing of transactions should receive relevant training in the verification procedures, and in the recognition of abnormal settlement, payment or delivery instructions. Staff should be aware of the types of suspicious activities which may need reporting to the relevant authorities regardless of whether the transaction was completed. Staff should also be aware of the correct procedure(s) to follow in such circumstances.
- All staff should be vigilant in circumstances where a known, existing customer opens a new and different type of account, or makes a new investment e.g. a customer with a personal account opening a business account. Whilst SHAFFI SECURITIES (PRIVATE) LIMITED may have previously obtained satisfactory identification evidence for the customer, SHAFFI SECURITIES (PRIVATE) LIMITED should take steps to learn as much as possible about the customer's new activities.
- Although Directors and Senior Managers may not be involved in the handling ML/TF transactions, it is important that they understand the statutory duties placed upon them, their staff and the firm itself given that these individuals are involved in approving AML/CFT policies and procedures. Supervisors, managers and senior management (including Board of Directors) should receive a higher level of training covering all aspects of AML/CFT procedures, including the offences and penalties arising from the relevant primary legislation for non reporting or for assisting money launderers, and the requirements for verification of identity and retention of records.
- The CO should receive in-depth training on all aspects of the primary legislation, the Regulations, regulatory guidance and relevant internal policies. They should also receive appropriate initial and ongoing training on the investigation, determination and reporting of suspicious activities, on the feedback arrangements and on new trends of criminal activity.

14





M/S. SHAFFI SECURITIES (PVT) LTD.

TREC HOLDER

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

Date: _____

. Anti-Money Laundering Compliance Officer

The SHAFFI SECURITIES (PRIVATE) LIMITED has appointed a dedicated Compliance Officer to oversight the Compliance function who will be reporting to the Board of Directors of the SHAFFI SECURITIES (PRIVATE) LIMITED. Any Employee shall immediately notify the Compliance Officer if he/she suspects or has any reason to suspect that any potentially suspicious activity has occurred or will occur if a transaction is completed. Employees are encouraged to seek the assistance of the Compliance Officer with any questions or concerns they may have with respect to the SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT Policy & Procedures

Responsibilities of the Compliance Officer include the following:

- Review of Account Opening Forms and sign off from Compliance perspective
- Coordination and monitoring of SHAFFI SECURITIES (PRIVATE) LIMITED's day-to-day compliance with applicable Anti-Money Laundering Laws and Regulations and SHAFFI SECURITIES (PRIVATE) LIMITED's own AML/CFT Policy and Procedures; Conducting Employee training programs for appropriate personnel related to the SHAFFI SECURITIES (PRIVATE) LIMITED's
- AML/CFT policy and procedures and maintaining records evidencing such training;
- Receiving and reviewing any reports of suspicious activity from Employees;
- Determining whether any suspicious activity as reported by an Employee warrants reporting to senior management of the Firm;
- Coordination of enhanced due diligence procedures regarding Clients; and Responding to both internal and external inquiries regarding SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT policy and procedures.

. Client Identification Procedures

. General SHAFFI SECURITIES (PRIVATE) LIMITED's AML/CFT policy and procedures are intended to ensure that, prior to accepting funds from Clients, all reasonable and practical measures are taken to confirm the Clients' identities. SHAFFI SECURITIES (PRIVATE) LIMITED may take assistance from the bank or other financial institutions for completing client identification process. The assistance shall not relieve the SHAFFI SECURITIES (PRIVATE)





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

TREC HOLDER

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

Date: _____

LIMITED for identification process to be conducted by the company. These Client Identification Procedures are based on the premise that the SHAFFI SECURITIES (PRIVATE) LIMITED will accept funds from a new and existing Client only after: SHAFFI SECURITIES (PRIVATE) LIMITED has confirmed the Client's identity and that the Client is acting as a principal and not for the benefit of any third party unless specific disclosure to that effect is made; or If the Client is acting on behalf of others, SHAFFI SECURITIES (PRIVATE) LIMITED has confirmed the identities of the Underlying third parties. The Client Identification Procedures should be reviewed in light of the specific characteristics presented by a Client and in any instance the Compliance Officer may determine to apply enhanced measures for reasons other than those discussed in section below.

As a reference tool, an Individual Client KYC Checklist is used. Employees are encouraged to provide the Compliance Officer with any revisions they consider appropriate. The Compliance Officer shall retain copies of all documents reviewed or checklists completed in connection with its Client Identification Procedures in accordance with SHAFFI SECURITIES (PRIVATE) LIMITED's Client Records Retention policy. Every Customer shall be identified for establishing business relationship. For this purpose, investors need to fill out the Account Opening Form available at the customer support counters at SHAFFI SECURITIES (PRIVATE) LIMITED office or download it from SHAFFI SECURITIES (PRIVATE) LIMITED website.

. Client Identification Procedures for Natural Persons

For Identity and due diligence purposes, at the minimum following information shall be obtained, verified and recorded on KYC/CDD form or account opening form:

- Full name as per Identity document of the Applicant
- Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification
- Residential Status, Nationality, Country of Residence
- Details of Employer/Business
- CNIC/NICOP/SNIC/POC/Passport Number
- Existing Mailing and Permanent address
- Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number and Email address
- NTN and STN number
- Nature and Type of Account
- Details of Bank Account
- Details of Investor Account maintaining with CDC and





TREC HOLDER

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

E. No. _____

Date: _____

- Details of Sub Account maintaining with other Broker(s) Source of Income, Gross Annual Income,
- Sources of Fund for Stock Market, Expected value of Investment
- Knowledge of stock Market and Investment experience
- Normal or expected mode of transaction

Joint Accounts:

In case of Joint account, the customer due diligence measures on all of the joint account holders shall be performed as if each of them were individual customers of the SHAFFI SECURITIES (PRIVATE) LIMITED In order to confirm the identity of the Client, copies of the following documents will be obtained and retained for SHAFFI SECURITIES (PRIVATE) LIMITED's record:

- Duly filled and signed Account Opening Form (AOF) by Title and Joint Account Holder(s)
- Bank Verification on AOF from the bank where Title Account Holder is maintaining a bank account.
- Physical presence of Title and Joint Account Holder(s) at any of the SHAFFI SECURITIES (PRIVATE) LIMITED Office along with valid original ID document.
- Attested Copies of valid ID document of Title and Joint Account Holder(s).
- Attested Copies of valid ID document of witnesses.
- Local Mobile Number and/or email address.
- Copy of Zakat Declaration (CZ-50) duly attested by notary public as per the prescribed format for Zakat exemption (Optional).
- For Non-Muslims, written request for Zakat non-applicability.
- Power of Attorney duly attested by Notary Public on prescribed format duly signed by all Account Holders (optional).
- Copy of NTN certificate, if NTN is provided in AOF.
- Copy of NICOP for non-resident Pakistanis, Passport for foreigners duly attested by Consulate office of Pakistan or Notary Public of respective country.
- Bank statement or utility bill; or other residential identifying information;
- Bank references.
- Proof of Employment/ Business I
- If the account is opened by the officer of government, Special resolution/Authority from the Federal/Provincial/Local Government department duly authorized by the Ministry of Finance or Finance department of the concerned provincial or Local Government.





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

TREC HOLDER

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

Date: _____

If a customer has authorized another person, than the additional documentation are required.
These include:

- Attested copies of ID document of Authorized person
- Power of Attorney duly attested by Notary Public on prescribed format duly signed by all Account Holders with the following minimum information:
 - Name of Authorized person and his/her Relationship
 - CNIC/NICOP/Passport number
 - Contact Details and email address
 - Specimen Signature of the person so authorized.

The authorized person is only allow to issue instruction for buy or sale of securities on behalf of client and all payments or receipt of funds must be made to or from the client own accounts and must include CNIC number clearly marked on all payment Cheques.

. Identification Client Procedures for Corporations, Partnerships, Trusts and Other Legal Entities

SHAFFI SECURITIES (PRIVATE) LIMITED shall take reasonable steps to ascertain satisfactory evidence of an entity Client's name and address, its authority to make the contemplated investment For Identity and due diligence purposes, at the minimum following information shall be obtained, verified and recorded on KYC/CDD form or account opening form:

- Full name as per Identity document
- Company registration /Incorporation number
- Date and country of Incorporation
- Date of Business Commenced
- Residential Status
- Type of Business
- Name of parent Company
- Email, website and contact numbers
- Registered and mailing address
- NTN number and Sales Tax number
- Details of Contact Person and authorized person to operate the account
- Nature and Type of Account
- Details of Bank Account

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

TREC HOLDER

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

Date: _____

- Ref. No. _____
- Details of Investor Account maintaining with CDC and Details of Sub Account maintaining With other Broker(s)
 - Financial and General Information including Investment experience, Expected value of Investment, recent change in ownership of the company, customer type
 - Normal or expected mode of transaction

SHAFFI SECURITIES (PRIVATE) LIMITED will obtain the following documents, as appropriate under the circumstances:

- Certified true copy of Board Resolution. (Specimen provided as per Annexure "I") / Power of Attorney
- Certified true copies of Constitutive Documents of the Applicant (Memorandum & Articles of Association, Act / Charter / Statute / By laws / Rules & Regulations, Certificate of Incorporation, Certificate of Commencement of Business, Prospectus for Modaraba, Relevant licenses and registration issued by Regulatory Bodies etc.)
- Certified copy of list of Directors / Trustee (if applicable)
- List of authorized signatories
- List of Nominated persons allowed placing orders.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Authorized Signatories.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Contact Person.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Witnesses.
- Certified copy of N.T.N. Certificate. (If exempted please provide Exemption Certificate).
- Latest Audited Accounts of the Company.

Beneficial Ownership of Legal Persons and Legal Arrangements:

- The SHAFFI SECURITIES (PRIVATE) LIMITED shall identify and verify the identity of the customer, and understand the nature of its business, and its ownership and control structure.
- The purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is two fold
- First, to prevent the unlawful use of legal persons and arrangements, by gaining a sufficient understanding of the applicant to be able to properly assess the potential ML/TF risks associated with the business relationship ;and second, to take appropriate steps to mitigate the risks.

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M/S. SHAFFI SECURITIES (PVT) LTD.

TREC HOLDER

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

Date: _____

Ref. No. _____

- If the SHAFFI SECURITIES (PRIVATE) LIMITED has any reason to believe that an applicant has been refused facilities by another SHAFFI SECURITIES (PRIVATE) LIMITED due to concerns over illicit activities of the customer, it should consider classifying that applicant:
- As higher-risk and apply enhanced due diligence procedures to the customer and the relationship;
- filing an STR; and/or
- not accepting the customer in accordance with its own risk assessments and procedures.
- The SHAFFI SECURITIES (PRIVATE) LIMITED shall accept copies of the documents for identifying a Customer verified by seeing originals during establishing business relationship

. Customers' Screening:

In terms of AML/CFT Regulations, it is prohibited to provide services to proscribed individual & entities or to those who are known for their association with such individuals & entities, whether under the proscribed name or with a different name. Accordingly, it is imperative for SHAFFI SECURITIES (PRIVATE) LIMITED to monitor its relationships on a continuous basis and ensure that no such relationship exists. Further, in case, if any such relationship is found, immediately report the same to Financial Monitoring Unit (FMU) and take any other action, as per law. In pursuance of above, all customers should be properly screened through UN/OFAC sanctioned lists as available in the data base of the company.

. Approval

The account will only be processed for account opening after it has been authorized by Compliance officer and in case of High risk customer, by the senior management of SHAFFI SECURITIES (PRIVATE) LIMITED.

. Verification Of Identity

The SHAFFI SECURITIES (PRIVATE) LIMITED shall verify identities of customers (Natural or Artificial persons) from NCS data base and retain on record copies of all reference documents used for identification and verification.





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

TREC HOLDER

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

Date: _____

Ref. No. _____

. Timing of Verification

Verification of the identity of the customers shall be completed before business relations are established including verification of Universal Identification Number (UIN) from National clearing company of Pakistan limited (NCCPL) database.

. Payment Mechanism

The SHAFFI SECURITIES (PRIVATE) LIMITED shall accept from the account Holder(s) payment through "A/C Payee Only" crossed Cheque, bank drafts, pay orders or other crossed banking instruments in case of amounts in excess of Rs. 25,000/=. Electronic transfer of funds to the SHAFFI SECURITIES (PRIVATE) LIMITED through banks would be regarded as good as Cheque. The SHAFFI SECURITIES (PRIVATE) LIMITED shall be responsible to provide the receipt to the Account Holder(s) in the name of Account Holder(s) duly signed by authorized agents / employee of the Broker and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The SHAFFI SECURITIES (PRIVATE) LIMITED shall immediately deposit in its bank accounts all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional Circumstances, where it becomes necessary for the SHAFFI SECURITIES (PRIVATE) LIMITED to accept cash in excess of Rs. 25,000/=-, the SHAFFI SECURITIES (PRIVATE) LIMITED shall immediately report within one business day such instances with rationale thereof to the Stock Exchange in accordance with the mechanism prescribed by the Exchange. The SHAFFI SECURITIES (PRIVATE) LIMITED shall make all the payments of Rs. 25,000/- and above, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years.

SHAFFI SECURITIES (PRIVATE) LIMITED may accept initial deposit at the time of submission of necessary documents by their prospective customer's subject to the following:





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

TREC HOLDER

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

Date: _____

Ref. No. _____

- Initial deposit receipt will be issued after completing necessary due diligence including NCCPL verification.
- The account numbers will be generated (NCCPL Client code and CDC Sub account number). SHAFFI SECURITIES (PRIVATE) LIMITED to obtain signatures of concerned Account Holders / Authorized Signatories as acknowledgement on the Posted Registration Detail Report generated from CDS.
- The initial deposit will be credited to the customer's account only.
- In case, the business relationship needed to be closed due to unsatisfactory due diligence, the SHAFFI SECURITIES (PRIVATE) LIMITED shall guide the customers to visit the office to get refund of initial deposit through Cheque.

. Account Shall Not Open

Where CDD Measures are not completed In case the SHAFFI SECURITIES (PRIVATE) LIMITED is not been able to satisfactorily completed required CDD measures, account shall not be opened or any service provided and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR. Anonymous or Fictitious Account: SHAFFI SECURITIES (PRIVATE) LIMITED shall not open or maintain anonymous account or accounts in the name of factitious persons. Government Accounts: Government Account shall not be opened in the personal names of the government officials. Proscribed Individuals/Entities: SHAFFI SECURITIES (PRIVATE) LIMITED shall not provide services to Proscribed Individuals, Groups and Entities declared/ listed by UNSC (United Nations Security Council) and/ or by OFAC (Office of Foreign Asset Control -USA) OR those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.

. Risk Profiling Of Customers

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 KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing

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22

Ref. No. _____

Date: _____

monitoring of business relationship. The approval for opening of PEP and Non-Governmental Organizations (NGOs)/Notfor-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Business Head) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. Customer KYC / CDD profile will be reviewed and/or updated on the basis of predefined frequency, in accordance with the risk profile of the customer, as per procedure defined in operational Manual

- High Risk At least Once in a Year or One-off
- Medium Risk At Least Once in 2 Years or One-off
- Low Risk At least Once in 3 Years or One-off
- 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.

High-Risk Clients

The Compliance Officer will provide and will continuously update a list of the types of Clients that SHAFFI SECURITIES (PRIVATE) LIMITED considers to be of 'high risk,' such that enhanced due diligence procedures are warranted compared to the routine Client Identification Procedures. Following are the examples of Clients who pose a high money laundering risk:

- Non-resident customers;
- Legal persons or arrangements including non-governmental organizations; (NGOs)/ not-for-profit organizations (NPOs) and trusts / charities;
- 3. 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; and







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

TREC HOLDER

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

Ref. No. _____

Date: _____

- Politically Exposed Persons (PEPs) or customers holding public or high profile positions.

Politically Exposed Persons:

Definition of PEP: * A Politically Exposed Person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is, or has been entrusted with a prominent public function. Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption, bribery, and conducting activity related to terrorist financing (TF). The potential risks associated with PEPs justify the application of additional anti-money Laundering/counter I terrorist financing (AML/CFT) preventative measures with respect to business relationships with PEPs.

POLITICALLY EXPOSED PERSONS CATEGORIES

The difference between foreign and domestic PEPs may be relevant for firms making specific risk assessments. To help clients gain a holistic view of potential risk. In the first instance PEPs are classified at a high level in the following categories: Foreign PEPs Individuals who are, or have been entrusted with prominent public functions by a foreign country, for example heads of state or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

Domestic PEPs Individuals who are, or have been entrusted domestically with prominent public functions, for example heads of state or of government, senior politicians, senior government judicial or military officials, senior executives of state owned corporations, important political party officials. International organization PEPs Persons who are, or have been entrusted with a prominent function by an

international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions i.e. directors, deputy directors, and members of the board or equivalent functions.

Family members Individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership

Close associates Individuals who are closely connected to a PEP, either socially or professionally

14.3. Enhanced Client Identification Procedures for 'HighRisk' Natural Persons

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

TREC HOLDER

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

Date: _____

Ref. No. _____

Enhanced Client Identification Procedures for 'high risk' natural persons as Clients include, but are not limited to, the following:

- Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- Considering the source of the Client's wealth: including the economic activities that generated the Client's wealth, and the source of the particular funds intended to be used to make the investment;
- Reviewing generally available public information, such as media reports, to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of anti-money laundering laws or regulations or any investigation, indictment, conviction or civil enforcement action relating to financing of terrorists;
- Conducting a face-to-face meeting with the Client to discuss/confirm the account opening documents.

The enhanced due diligence procedures undertaken with respect to 'high risk' Clients must be thoroughly documented in writing, and any questions or concerns with regard to a 'high risk' Clients should be directed to the Compliance Officer.

. Enhanced Client Identification Procedures for 'HighRisk' Corporations, Partnerships, Trusts and Other legal Entities

Enhanced Client Identification Procedures for 'high risk' corporations, partnerships and other legal entities include, but are not limited to, the following:

- Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- Reviewing recent changes in the ownership or senior management of the Client;
- Conducting a visit to the Client's place of business and conducting a face-to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- Reviewing generally available public information to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of anti-money laundering laws or regulations or any criminal investigation, indictment, conviction or civil enforcement action relating to financing of terrorists.

On-Going Due Diligence & Monitoring



Ref. No. _____

- All business relations with customers shall be monitored on an ongoing basis to ensure that the transactions are consistent with the "SHAFFI SECURITIES (PRIVATE) LIMITED" knowledge of the Customer, its business and risk profile and where appropriate, the sources of funds.
- "SHAFFI SECURITIES (PRIVATE) LIMITED" shall obtain information and examine, as far as possible the background and purpose of all complex and unusual transactions, which have no apparent economic or visible lawful purpose and the background and purpose of these transactions shall be inquired and findings shall be documented with a view of making this information available to the relevant competent authorities when required.
- "SHAFFI SECURITIES (PRIVATE) LIMITED" shall periodically review the adequacy of customer information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers and the review period and procedures thereof should be defined by "SHAFFI SECURITIES (PRIVATE) LIMITED" in their AML/CFT policies, as per risk based approach
- In relation to sub-regulation
- , customers' profiles should be revised keeping in view the spirit of Know Your Customer/CDD and basis of revision shall be documented and customers may be consulted, if necessary
- Where "SHAFFI SECURITIES (PRIVATE) LIMITED" files an STR on reasonable grounds for suspicion that existing business relations with a customer are connected with ML/TF and the "SHAFFI SECURITIES (PRIVATE) LIMITED" considers it appropriate to retain the customer i) the "SHAFFI SECURITIES (PRIVATE) LIMITED" shall substantiate and document the reasons for retaining the customer; and ii) the customer's business relations with the "SHAFFI SECURITIES (PRIVATE) LIMITED" shall be subject to proportionate risk mitigation measures, including enhanced ongoing monitoring.
- "SHAFFI SECURITIES (PRIVATE) LIMITED" shall not form business relationship with entities/individuals that are: i) proscribed under the United Nations Security Council Resolutions and adopted by the Government of Pakistan; ii) proscribed under the Anti-Terrorism Act, 1997(XXVII of 1997); and iii) associates/facilitators of persons mentioned in (a) and (b).
- The "SHAFFI SECURITIES (PRIVATE) LIMITED" should monitor their relationships on a continuous basis and ensure that no such relationship exists directly or indirectly, through ultimate control of an account and where any such





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

TREC HOLDER

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

Date: _____

Ref. No. _____

relationship is found, the "SHAFFI SECURITIES (PRIVATE) LIMITED" shall take immediate action as per law, including freezing the funds and assets of such proscribed entity/individual and reporting to the Commission

. Simplified Due Diligence (SDD)

There might be circumstances where the risk of money laundering or financing of terrorism may be low as information on the identity of the customer and the beneficial ownership is publicly available and/or the turnover in the account is meager. In such circumstances, and provided there has been an adequate analysis of the risk, following SDD measures will be applied.

SDD measures shall include:

- Decreasing the frequency of customer identification updates;
- Reducing the degree of on-going monitoring and scrutinizing transactions based on a reasonable monetary threshold; and
- Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but intended purpose and nature of account may be ascertained from the relationship established or from the type of transactions.

SDD measures should not be considered in following situations:

- When there is a suspicion of money laundering or financing of terrorism;
- There are no exceptions in reporting suspicion to FMU within the provisions of AML Act.

. General Reporting Procedures

- The Compliance Officer on behalf of the organization is nominated to receive disclosures under this regulation.
- Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to the Compliance Officer;
- Where a disclosure is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is

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27

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M/S.

SHAFFI SECURITIES (PVT) LTD.

TREC HOLDER

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

Ref. No. _____

Date: _____

available to SHAFFI SECURITIES (PRIVATE) LIMITED and determine whether it gives rise to suspicion: and

- Where the Compliance Officer determines in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority after obtaining an Independent legal advice.

. Other Offences - Failure to Report Offences

- Failure by an individual in the regulated sector to inform the Regulatory Authority or the SHAFFI SECURITIES (PRIVATE) LIMITED's Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering;
- Failure by Compliance Officers in the regulated sector to make the required report to Regulatory Authority as soon as practicable, if an internal report leads them to know or suspect that a person is engaged in money laundering

De Minimis Concessions

Note that the obligation to report does not depend on the amount involved or the seriousness of the offence. There are no De Minimis Concessions.

. Client Records Retention

Copies of all documents related to SHAFFI SECURITIES (PRIVATE) LIMITED's Client Identification Procedures will be retained for an appropriate period of time and, at a minimum, the period of time required by applicable law or regulation. The documents SHAFFI SECURITIES (PRIVATE) LIMITED retains are copies of documents reviewed in connection with Client Identification Procedures or enhanced due diligence procedures, Client identification checklists, if any, or similar due diligence documentation, and any other documents required to be retained by applicable anti-money laundering legislation. SHAFFI SECURITIES (PRIVATE) LIMITED will retain documents for so long as a Client is a client of SHAFFI





M/S.

SHAFFI SECURITIES (PVT) LTD.

TREC HOLDER

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

Ref. No. _____

Date: _____

SECURITIES (PRIVATE) LIMITED and for a minimum of five years after this relationship ends. SHAFFI SECURITIES (PRIVATE) LIMITED shall, however, retain those records for longer period where transactions, customers or accounts involved litigation or it is required by court or other competent Authority. SHAFFI SECURITIES (PRIVATE) LIMITED shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including Law enforcement agencies and FMU for supply of information and records as per law.

. Review of Existing Client Base and Detection of Suspicious Activity

The SHAFFI SECURITIES (PRIVATE) LIMITED shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk but without compromise on identity and verification requirements. The Compliance Officer shall coordinate a periodic review of the SHAFFI SECURITIES (PRIVATE) LIMITED's existing Client list, and ensure the adequacy of due diligence performed on existing Clients. In addition, SHAFFI SECURITIES (PRIVATE) LIMITED's policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious, SHAFFI SECURITIES (PRIVATE) LIMITED requires any Employee who detects suspicious activity or has reason to believe that suspicious activity is taking place immediately to inform his or her immediate supervisor as well as the Compliance Officer. Under no circumstances may an Employee discuss the suspicious activity, or the fact that it has been referred to the Compliance Officer, with the Client concerned (Required by Law). The Compliance Officer shall determine in consultation with the higher management whether to report to appropriate law enforcement officials (i.e. FMU Financial Monitoring Unit) any suspicious activity of which he becomes aware within 7 working days of knowing the suspicious activity (Required by Law).





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

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

Date: _____

Ref. No. _____

Where CDD Measures are not completed

and circumstances of the case. For existing customers who opened accounts with old CNICs or old account opening form, the SHAFFI SECURITIES (PRIVATE) LIMITED shall ensure that same shall be present in SHAFFI SECURITIES (PRIVATE) LIMITED's records. The SHAFFI SECURITIES (PRIVATE) LIMITED may INACTIVE the accounts without CNIC and account opening form (after serving one-month prior notice) until the subject regulatory requirement is fulfilled.

. Compliance report for SECP

SHAFFI SECURITIES (PRIVATE) LIMITED will report to SECP of any suspicious UIN through NCCPL terminal two times in every month. However, if there is no suspicious UIN, the SHAFFI SECURITIES (PRIVATE) LIMITED will submit "NIL" Report

Registration Details Update

In accordance to the Directives under the PSX Rule book, CDC Regulations an Updation in Registration detail of any client can only be done after obtaining of the below mentioned document.

- **Contact Details Update** For change of contact details i.e. contact number, local mobile number, email address etc. duly signed letter or Updation Form or by an email sent through registered email address is required as per the operating instructions. However, Title Account Holder may personally visit along with original CNIC for change of address without any documentary proof
- **Zakat Status Update** To update Zakat status as Zakat non-payable, letter or Updation Form along with notarized copy of Zakat Declaration is required.
- **Dividend Mandate Update** Dividend Mandate i.e. bank details for receiving dividend warrant directly into bank account is added/updated upon letter or Updation Form.





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TREC HOLDER

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

Ref. No. _____

Date: _____

- **NTN Update** NTN is updated either upon receiving duly signed letter/Updation Form or by an email sent through registered email address.
- **Signature Update** Physical presence is required along with original CNIC to update the record and for nonresident / foreign account duly signed signature card.

Account Closing

- Duly filled and signed Account Closing Request / Form
- Approval from NCCPL to close the client Account (UIN)
- Intimation to CDC about closure of Sub-Account

Employee Due Diligence & Screening

In order to ensure that unscrupulous elements do not become employees/agents, appropriate screening procedures should be followed to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism To complete the process the HR department must issue confidential letters to the last employer and employee provided reference. Employee reference must be non-blood relatives and preferred to be from the employees of past employers.

Regular Review/Audit of the Manual

A regular review of the program should be undertaken to ensure that it is functioning as designed. Such a review could be performed by external or internal resources, and should be accompanied by 2 formal assessment or written report.



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. Future Amendments

The management will review and may amend or otherwise modify this Policy Statement from time to time with the approval of Board of Directors of the Company. Such review will preferably be carried out every year and will take into account among others the revisions in applicable regulatory framework specifically. The AML/CFT Policy & Procedures will be reviewed on as and when required basis but not later than two years



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