

ISMAIL IQBAL

Securities (Pvt.) Ltd.

Corporate Member Pakistan Stock Exchange Ltd.

BOARD RESOLUTION

We hereby certify that the following Resolution of the Board Directors of M/S Ismail Iqbal Securities Private Limited was passed at meeting of the Board held on December 09, 2020 at Registered office located at C132(B) KDA Scheme 1, Miran Muhammad Shah Road, Karachi and has duly been recorded in the minute book of the said Company

“RESOLVED”

That the *M/s Ismail Iqbal Securities Private Limited TREC Holder of Pakistan Stock Exchange Limited* is update their policy in light of National Risk Statement (NRA) 2019 for SECP notice about “Internal Risk Statement (IRA) and National Risk Statement (NRA)” updating on Anti-Money Laundering/Counter Financing Terrorism and policy has finalize and approved by the Board of Directors and the define guideline by the Regulators and objection highlighted by Joint Inspection Regulations, 2015 on the direction of Securities and exchange commission of Pakistan (“SECP”).

CERTIFIED TRUE COPY

I hereby certify that the above resolution was dully passed by the board of Directors of the Company in its meeting held on December 09, 2020 and the same has been entered in the minute's book of the company in accordance with the Articles of Association Of the company



Ahfaz Mustafa
Chief Executive Officer



Muhammad Taufiq
Director

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ISMAIL IQBAL SECURITIES PRIVATE LIMITED

ANTI MONEY LAUNDERING / COMBTATING FINANCING OF TERRORISM POLICY

DECEMBER 2020

Anti-Money Laundering/ Countering Financing of Terrorism (AML/CFT) Policies, Procedures and Controls

Approved by the Board of Director on December 09, 2020

A. GENERAL PRINCIPLES:

1. DEFINITION OF MONEY LAUNDERING AND TERRORIST FINANCING:

Money Laundering (“ML”) and Terrorist Financing (“TF”) are economic crimes that threaten a country’s overall financial sector reputation and expose financial institutions to significant operational, regulatory, legal and reputational risks, if used for ML and TF.

2. PURPOSE AND SCOPE OF AML AND CFT REGIME:

- 2.1. 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 Anti-Money Laundering Act, 2010 (“AML Act”), Anti-Money Laundering Rules, 2008 (“AML Rules”) made under the Anti-Money Laundering Ordinance, 2007 (“AML Ordinance”), Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“SECP AML/CFT Regulations”) made under the Securities and Exchange Commission of Pakistan Act, 1997 (“SECP Act”), upon recommendation of Financial Monitoring Unit (“FMU”) established under AML Act and Guidelines on SECP AML/CFT Regulations issued by SECP in September 2018.



3. GUIDELINES ON SECP AML/CFT REGULATIONS:

- 3.1. 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. The Guidelines are based on Pakistan AML/CFT legislation and reflect, so far as applicable, the 40 Recommendations and guidance papers issued by the Financial Action Task Force (“FATF”).

4. POLICY, PROCEDURES AND CONTROLS:

- 4.1. As required under clause 4 (a) of the SECP AML/CFT Regulations, a Security Broker is required to:
- 4.2. develop and implement policies, procedures and controls with the approval its Board of Directors for enabling Ismail Iqbal Securities (Private) Limited to effectively manage and mitigate the risk that are identified in the risk assessment of ML/TF or notified to it by the Commission;
- 4.3. monitor the implementation of those policies, procedures and controls and enhance them if necessary;
- 4.4. perform enhanced measures where higher risks are identified, to effectively manage and mitigate those higher risks; and
- 4.5. Have an independent audit function to test the system.
- 4.6. The Policies, Procedures and Controls should contain a clear description for employees of their obligations and instructions as well as guidance on how to keep the activity of the reporting entity in compliance with the Regulations. There should be internal procedures for detecting, monitoring and reporting suspicious transactions.

5. APPOINTMENT OF COMPLIANCE OFFICER:

- 5.1. Ismail Iqbal Securities (Private) Limited is required to appoint a management level officer as compliance officer (“CO”), who shall report directly, and periodically to the Board of Directors (“Board”) or to another equivalent executive position or committee. The CO must be a person who is fit and proper to assume the role and who:
- 5.2. Monitoring, reviewing and updating AML/CFT policies and procedures, of the regulated person and has sufficient skills and experience to develop and maintain systems and controls.
- 5.3. Ensuring that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors of the regulated person and are effectively implemented;
- 5.4. Providing assistance in compliance to other departments and branches of the regulated person;
- 5.5. Monitoring and timely reporting of Suspicious and Currency Transactions to FMU;
- 5.6. Has sufficient resources, including time and support staff;



- 5.7. Has access to all information necessary to perform the AML/CFT compliance function;
- 5.8. Ensure regular audit of the AML/CFT program;
- 5.9. Timely submission of accurate data/ returns as required under the applicable laws
- 5.10. Maintain various logs, as necessary, which should include logs with respect to declined business, politically exposed person (“PEPs”), and request from Commission, FMU and Law Enforcement Agencies (“LEAs”) particularly in relation to investigation; and
- 5.11. Respond promptly to requests for information by the SECP/LEAs.
- 5.12. Such other responsibilities as the regulated person may deem necessary in order to ensure compliance with these regulations.

6. HOW TO COMMUNICATE THE POLICIES AND PROCEDURES TO EMPLOYEES AND STAFF AS WELL AS BRANCHES:

- 6.1. As part of first line of defense, the CO shall clearly specify the Policies, Procedures and Controls duly approved by the Board in writing, and communicated to all employees including those employed at branches through Inter-Office Memo (“IOM”).
- 6.2. The CO must have the authority and ability to oversee the effectiveness of Securities Broker AML/CFT systems, compliance with applicable AML/CFT legislation and provide guidance in day-to-day operations of the AML/CFT Policies and Procedures especially at the branches.

7. HOW TO REFLECT CHANGES TO AML/ATF LEGISLATIVE AND REGULATORY REQUIREMENTS:

- 7.1. The CO shall update/amend the Policies, Procedures and Controls in line with the changes/amendments in SECP AM/CFT Regulations with the approval of the Board or Equivalent and communicate in writing to all relevant employees through IOM; and
- 7.2. The CO shall provide amendments in the Policies, Procedures and Controls separately attached to amendment Policies, Procedure and Controls showing impact of such changes on AML/CFT Regime.

8. HOW OFTEN TO UPDATE POLICIES, PROCEDURES AND CONTROLS:

- 8.1. As and when any change/amendment is affected in AML/CFT legislation applicable to Ismail Iqbal Securities (Private) Limited, the CO shall immediately update the Policies, Procedures and Controls in line with the changes/amendment in legislatives.
- 8.2. The CO will communicate in writing to all employees after getting Board’s approval on such changes.
- 8.3. The CO will update the risk profile of the country to which Ismail Iqbal Securities (Private) Limited or its Customers are exposed to as and when it comes it his knowledge.



9. HOW OFTEN TO CONDUCT AN INDEPENDENT AUDIT OF YOUR AML/ATF COMPLIANCE PROGRAM:

- 9.1. Ismail Iqbal Securities (Private) Limited on a regular basis, conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT Policies and Procedures;
- 9.2. The frequency of the audit shall at least be quarterly basis commensurate with the nature, size, complexity, and risks identified during the risk assessments by Ismail Iqbal Securities (Private) Limited.
- 9.3. The AML/CFT audits shall be conducted to assess the AML/CFT systems which include:
 - 9.4. to test the overall integrity and effectiveness of the AML/CFT systems and controls;
 - 9.5. to assess the adequacy of internal policies and procedures in addressing identified risks, including;
 - 9.5.1. CDD measures;
 - 9.5.2. Record keeping and retention;
 - 9.5.3. Third party reliance; and
 - 9.5.4. Transaction monitoring.
 - 9.6. to assess compliance with the relevant laws and regulations;
 - 9.7. To test transactions in all areas of Ismail Iqbal Securities (Private) Limited, with emphasis on high-risk areas, products and services;
 - 9.8. To assess employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;
 - 9.9. To assess the adequacy, accuracy and completeness of training programs;
 - 9.10. To assess the effectiveness of compliance oversight and quality control including parameters for automatic alerts (if any); and
 - 9.11. To assess the adequacy of Ismail Iqbal Securities (Private) Limited's process of identifying suspicious activity including screening sanctions lists.



10. POLICIES, PROCEDURES AND CONTROLS:

11. THREE LINES OF DEFENSE:

Ismail Iqbal Securities (Private) Limited shall establish the following three (3) lines of Defense to combat ML/TF:

11.1. Front Office (Customer-Facing Activity):

- 11.1.1. Front Office / Dealers/Sale Persons shall be required to know and carry-out the AML/CFT due diligence related policies and procedures when a customer opens an account with Ismail Iqbal Securities (Private) Limited which include the following:
- 11.1.2. Account Opening Forms should be completed in the presence of the Customer with mandatory fill-in mandatory fields and all not relevant spaces shall be marked as "Not Applicable or Crossed";
- 11.1.3. KYC forms shall be completed in the presence of the Customer;
- 11.1.4. All attachments needed as per Standard Account Opening Forms of CDC and PSX shall be completed;
- 11.1.5. Account Opening amount shall be accepted in cheque/pay-order/demand draft on the bank of beneficial owner of the customer.
- 11.1.6. Account Opening confirmation along with all details entered into Securities Broker's back-office, CDC and NCCPL shall be communicated to the Customer on his/her registered address/email or handed over to the Customer if physically available.

11.2. Compliance Checks:

- 11.2.1. The Compliance Officer shall check the account opening forms along with all annexure before allowing the Customer to start Business Relation with Ismail Iqbal Securities (Private) Limited;
- 11.2.2. If there is any discrepancy in the Account Opening process, the Compliance Officer shall communicate the same to Front Office/Dealer/Sale Person for rectification before start of Business Relation with Ismail Iqbal Securities (Private) Limited;
- 11.2.3. The Compliance Officer shall do the Risk Assessment of the Customer as per AML/CFT Risk Assessment Matrix annexed to SECP Guideline on AML/CFT Regulations; and
- 11.2.4. The Compliance Officer shall do the Risk Profiling of the Customer based on Risk Assessment of the Customer.

11.3. Internal Audit Process:

- 11.3.1. Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis;
- 11.3.2. In case of discrepancies/non-compliances observed during audit process, he/she will communicate his/her findings and along with recommendations to the Senior Management including Compliance Officer;
- 11.3.3. Internal Auditor shall follow-up their findings and recommendation until their complete rectifications.



12. NEW PRODUCTS, PRACTICES & TECHNOLOGIES:

- 12.1.1. IISL should have systems in place to identify and assess ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products such as:
- 1) Electronic verification of documentation;
 - 2) Data and transaction screening systems; or
 - 3) The use of virtual or digital currencies.
- 12.1.2. IISL shall undertake a risk assessment prior to the launch or use of such products, practices and technologies; and take appropriate measures to manage and mitigate the risks.
- 12.1.3. IISL shall have policies and procedures to prevent the misuse of technological development in ML/TF schemes, particularly those technologies that favor anonymity. For example, securities trading and investment business on the Internet, add a new dimension to IISL's activities. The unregulated nature of the Internet is attractive to criminals, opening up alternative possibilities for ML/TF, and fraud.
- 12.1.4. It is not appropriate that IISL shall offer on-line live account opening allowing full immediate operation of the account in a way which would dispense with or bypass normal identification procedures. However, initial application forms could be completed on-line and then followed up with appropriate identification checks. The account, in common with accounts opened through more traditional methods, should not be put into full operation until the relevant account opening provisions have been satisfied.
- 12.1.5. To maintain adequate systems, IISL shall ensure that its systems and procedures are kept up to date with such developments and the potential new risks and impact they may have on the products and services offered by the IISL. Risks identified must be fed into the IISL business risk assessment.

13. IDENTIFICATION OF CUSTOMERS, ASSESSMENT AND UNDERSTANDING OF RISK:

- 13.1. Ismail Iqbal Securities (Private) Limited shall understand, identify and assess the inherent ML/TF risks posed by its:
- 13.1.1. customer base;
 - 13.1.2. products and services offered;
 - 13.1.3. delivery channels;
 - 13.1.4. the jurisdictions within which it or its Customers do business; and
 - 13.1.5. Another relevant risk category.
- 13.2. Ismail Iqbal Securities (Private) Limited will measure MT/TF risks using a number of risk categories while applying various factors to assess the extent of risk for each category for determining the overall risk classification, such as
- 13.2.1. High
 - 13.2.2. Medium
 - 13.2.3. Low



- 13.3. Ismail Iqbal Securities (Private) Limited may follow the Probability and Likelihood Risk Rating Matrix as defined in the SECP Guideline for AML/CFT Regulations; however, it will make their own determination as to the risk weights to individual risk factors or combination of risk factor taking into consideration the relevance for different risk factors in the context of a particular Customer relationship.
- 13.4. Ismail Iqbal Securities (Private) Limited shall access and analyze as a combination of the likelihood that the risk will occur and the impact of cost or damages if the risk occur. The impact of cost or damage may consist of:
 - 13.4.1. financial loss to Ismail Iqbal Securities (Private) Limited from the crime;
 - 13.4.2. monetary penalty from regulatory authorities; and
 - 13.4.3. Reputational damages to the business or the entity itself.
- 13.5. Ismail Iqbal Securities (Private) Limited shall analyze and 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;
 - 13.5.1. High if it can occur several times per year;
 - 13.5.2. Medium if it can occur once per year; and
 - 13.5.3. Low if it is unlikely, but not possible.
- 13.6. Ismail Iqbal Securities (Private) Limited should update its risk assessment every 12 to 18 months taking into account:
 - 13.6.1. new products are offered;
 - 13.6.2. new markets are entered;
 - 13.6.3. High risk Customers open or close their account; or
 - 13.6.4. The products, services, policies and procedures are changed.
- 13.7. Securities Broker shall have appropriate mechanism to provide risk assessment information to the Commission if required.
- 13.8. **High-Risk Classification Factors:**
 - 13.8.1. Ismail Iqbal Securities (Private) Limited shall describe all types or categories of Customers that it provide business to and make an estimate of the likelihood that these types or category of Customers may misuse Ismail Iqbal Securities (Private) Limited for ML or TF, and the consequent impact if indeed occurs. Risk Factor that may be relevant when considering the risk Ismail Iqbal Securities (Private) Limited with a Customer or a Customer's beneficial owner's business include:
 - 13.8.2. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between Ismail Iqbal Securities (Private) Limited and the Customer);
 - 13.8.3. Non-resident Customers;
 - 13.8.4. Legal persons or arrangements;
 - 13.8.5. Companies that have nominee shareholders;
 - 13.8.6. Business that is cash-intensive;



- 13.8.7. The ownership structure of the Customer appears unusual or excessively complex given the nature of the Customer's business such as having many layers of shares registered in the name of other legal persons;
- 13.8.8. Politically Exposed Persons;
- 13.8.9. Shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- 13.8.10. Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets; and
- 13.8.11. Requested/Applied quantum of business does not match with the profile/particulars of client.

13.9. Country or Geographic Risk Factor:

- 13.9.1. Due to location of a Customer, the origin of a destination of transactions of the Customer, business activities of Ismail Iqbal Securities (Private) Limited itself, its location and location of its geographical units, Country or Geographical Risk may arise. Country or Geographical risk combined with other risk categories, provides useful information on potential exposure to ML/TF. Ismail Iqbal Securities (Private) Limited may indicate High Risk to its Customers based on following factors:
 - 13.9.2. Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports by international bodies such as the FATF, as not having adequate AML/CFT systems;
 - 13.9.3. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations;
 - 13.9.4. Countries identified by credible sources as having significant levels of corruption or other criminal activity; and
 - 13.9.5. Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.

13.10. Product, Service, Transaction or Delivery Channel Risk Factor:

- 13.10.1. Ismail Iqbal Securities (Private) Limited taking into account the potential risks arising from the products, services, and transactions that it offers to its Customers and the way these products and services are delivered, shall consider the following factors:
 - 13.10.2. Anonymous transactions (which may include cash);
 - 13.10.3. Non-face-to-face business relationships or transactions;
 - 13.10.4. Payments received from unknown or un-Ismail Iqbal Securities (Private) Limited third parties;
 - 13.10.5. International transactions, or involve high volumes of currency (or currency equivalent) transactions;
 - 13.10.6. New or innovative products or services that are not provided directly by Ismail Iqbal Securities (Private) Limited, but are provided through channels of the institution;
 - 13.10.7. Products that involve large payment or receipt in cash; and



13.10.8. One-off transactions.

13.11. Low Risk Classification Factor:

13.11.1. Customer risk factors:

- 13.11.1.1. Ismail Iqbal Securities (Private) Limited shall rate a Customer as Low Risk and justify in writing who satisfies the requirements under regulation 11 (2) (a) and (b) of the SECP AML/CFT Regulations as under:
- 13.11.1.2. Regulated entities and banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements;
- 13.11.1.3. public listed companies that are subject to regulatory disclosure requirements to ensure adequate transparency of beneficial ownership;

13.11.2. Product, service, transaction or delivery channel risk factors:

- 13.11.2.1.1. Ismail Iqbal Securities (Private) Limited rate the product, service, transaction or delivery channel that satisfy the requirement under regulation 11(2) (g) of the SECP AML/CFT Regulations, such as the financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.

13.11.3. Country risk factors:

- 13.11.3.1. Ismail Iqbal Securities (Private) Limited taking into account possible variations in ML/TF risk between different regions or areas within a country, shall rate the Customer as Low Risk who belongs to:
- 13.11.3.2. Countries identified by credible sources, such as mutual evaluation or detailed assessment reports, as having effective AML/CFT systems; and
- 13.11.3.3. Countries identified by credible sources as having a low level of corruption or other criminal activity.

13.11.4. Risk Matrix:

- 13.11.4.1. Ismail Iqbal Securities (Private) Limited may use risk matrix annexed as Annexure-1 to SECP Guideline on AML/CFT Regulations as a method of assessing risk in order to identify the types or categories of Customers that are;
- 13.11.4.2. in Low Risk category;
- 13.11.4.3. those that carry somewhat higher risk, but still acceptable risk; and
- 13.11.4.4. Those that carry a high or unacceptable risk of money laundering and terrorism financing.



14. Risk Assessment:

14.1. Risk Tolerance:

- 14.1.1. Risk Tolerance is the amount of risk that Ismail Iqbal Securities (Private) Limited is willing and able to accept and correlate its Risk Mitigation Measures and Controls accordingly, for example:
- 14.1.2. If Ismail Iqbal Securities (Private) Limited determines that the Risk Ismail Iqbal Securities (Private) Limited with a particular type of Customer exceed its Risk Tolerance, it may decide not to accept or maintain that particular type of Customer(s).
- 14.1.3. Conversely, if Ismail Iqbal Securities (Private) Limited determine that the Risk Ismail Iqbal Securities (Private) Limited with a particular type of Customer are within the bound of its Risk Tolerance, it must ensure that Risk mitigation Measures it applies are commensurate with the Risk Ismail Iqbal Securities (Private) Limited with that type of Customer(s).
- 14.1.4. Senior Management and the Board of Ismail Iqbal Securities (Private) Limited shall establish their Risk Tolerance, based on which Ismail Iqbal Securities (Private) Limited shall have sufficient capacity and expertise to effectively manage the Risk acceptable in line with their Risk Tolerance and the consequences such as legal, regulatory, financial and reputation, of AML/CFT compliance failure.
- 14.1.5. If Ismail Iqbal Securities (Private) Limited decides to establish a high-risk Tolerance and accept high risk then it shall have Mitigation Measures and Controls in place commensurate with those high risks.

14.2. Risk Mitigation and Applying Risk Based Approach:

- 14.2.1. Ismail Iqbal Securities (Private) Limited shall consider the following Risk Mitigation Measures and applying risk based approach:
- 14.2.2. determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by particular customers;
- 14.2.3. setting transaction limits for higher-risk Customers such as:
- 14.2.3.1. For Individual Customer, Rs. 5 million net of Sale and Purchase for a particular date;
- 14.2.3.2. For Corporate Customer, Rs. 25 million net of Sale and Purchase for a particular day.
- 14.2.3.3. For Foreigner Individual, \$ 1 million net of Sale and Purchase for a particular day.
- 14.2.3.4. For Foreigner Corporate, \$ 5 million net of Sale and Purchase for a particular day.
- 14.2.4. requiring senior management approval for higher-risk transactions, including those involving PEPs;
- 14.2.5. determining the circumstances under which they may refuse to take on or terminate/cease high risk customers;
- 14.2.6. Determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customers such as PEPs).



14.3. **Applying Risk Based Approach:**

- 14.3.1. The risk assessment should help rank and prioritize risks and provide a framework to manage those risks. The risk assessment shall enable IISL to prepare a comprehensive program. It should enable to meet relevant obligations under the regulations, including obligations to conduct CDD, monitor accounts and activities and report suspicious activity.
- 14.3.2. The assessment should help in determining suspicion and consequently assist in the decision to submit an STR to the FMU. IISL shall submit an STR to the FMU if it thinks activities or transactions are suspicious. For instance, IISL shall consider unexpected international activity of a domestic-based customer unusual, especially if it involves a high-risk jurisdiction, and submit an STR.
- 14.3.3. IISL shall conduct ongoing CDD. The risk assessment will help target and prioritize the resources needed for ongoing CDD. For instance, IISL may want to undertake ongoing CDD on high-risk customers on a more regular basis than on lower-risk customers.
- 14.3.4. IISL shall undertake account monitoring. The risk assessment will help you design the triggers, red flags and scenarios that can form part of account monitoring. For instance, you may want the activity of a high-risk customer in a high-risk jurisdiction (as identified in the risk assessment) to be subject to more frequent and in-depth scrutiny.

15. **HOW OFTEN SECURITIES BROKER WILL UPDATE THE RISK ASSESSMENT?**

- 15.1. Once the identification procedures have been completed and the business relationship is established, Ismail Iqbal Securities (Private) Limited is required to monitor the conduct of the relationship to ensure that it is consistent with the nature of business stated when the relationship/account was opened.
- 15.2. Ismail Iqbal Securities (Private) Limited shall conduct ongoing monitoring of their business relationship with its Customers. Ongoing monitoring helps Ismail Iqbal Securities (Private) Limited to keep the due diligence information up-to-date, and review and adjust the risk profile of the customers, where necessary.
- 15.3. Ismail Iqbal Securities (Private) Limited conduct on-going due diligence which include scrutinizing the transactions undertaken through the course of business relationship with a Customer.
- 15.4. Ismail Iqbal Securities (Private) Limited will be required to update the Risk Assessment of their Customer as per following schedule or on the occurrence of a triggering event, whichever is earlier:
 - 15.4.1. For its High Risk Customers, their Risk Assessment shall continuously be reviewed and updated, but a comprehensive review should be done at least monthly.
 - 15.4.2. For its Medium Risk Customers, their Risk Assessment shall be updated quarterly basis.
 - 15.4.3. For its Low Risk Customers, their Risk Assessment shall be updated 6 monthly.
- 15.5. Ismail Iqbal Securities (Private) Limited may update the Customer CDD record on triggering of following events:
 - 15.5.1. Material changes to the customer risk profile or changes to the way that the account usually operates;



- 15.5.2. Where it comes to the attention of Ismail Iqbal Securities (Private) Limited that it lacks sufficient or significant information on that particular customer;
- 15.5.3. Where a significant transaction takes place;
- 15.5.4. Where there is a significant change in customer documentation standards;
- 15.5.5. Significant changes in the business relationship.
- 15.6. Ismail Iqbal Securities (Private) Limited update Risk Profiling of the Customer in the following circumstances:
 - 15.6.1. New products or services being entered into;
 - 15.6.2. A significant increase in a customer's salary being deposited;
 - 15.6.3. The stated turnover or activity of a corporate customer increases;
 - 15.6.4. A person has just been designated as a PEP;
 - 15.6.5. The nature, volume or size of transactions changes.
- 15.7. Ismail Iqbal Securities (Private) Limited shall be vigilant for any significant changes or inconsistencies in the pattern of transactions. Inconsistency is measured against the stated original purpose of the accounts. Possible areas to monitor could be:
 - 15.7.1. transaction type;
 - 15.7.2. frequency;
 - 15.7.3. amount;
 - 15.7.4. geographical origin/destination;
 - 15.7.5. Account signatories.

16. On-going Monitoring:

- 16.1. Once the identification procedures have been completed and the business relationship is established, the IISL is required to monitor the conduct of the relationship to ensure that it is consistent with the nature of business stated when the relationship/account was opened. IISL shall conduct ongoing monitoring of their business relationship with their customers. Ongoing monitoring helps IISL to keep the due diligence information up-to-date, and review and adjust the risk profiles of the customers, where necessary.
- 16.2. IISLs shall conduct on-going due diligence which includes scrutinizing the transactions undertaken throughout the course of the business relationship with a customer.
- 16.3. IISL should develop and apply written policies and procedures for taking reasonable measures to ensure that documents, data or information collected during the "Identification" process are kept up-to-date and relevant by undertaking routine reviews of existing records.
- 16.4. IISL shall consider updating customer CDD records as a part its periodic reviews (within the timeframes set by the IISL based on the level of risk posed by the customer) or on the occurrence of a triggering event, whichever is earlier. Examples of triggering events include:
 - 16.4.1. Material changes to the customer risk profile or changes to the way that the account usually operates;
 - 16.4.2. Where it comes to the attention of the IISL that it lacks sufficient or significant information on that particular customer;
 - 16.4.3. Where a significant transaction takes place;
 - 16.4.4. Where there is a significant change in customer documentation standards;
 - 16.4.5. Significant changes in the business relationship.



- 16.5. Examples of the above circumstances include:
- 16.5.1. New products or services being entered into,
 - 16.5.2. A significant increase in a customer's salary being deposited,
 - 16.5.3. The stated turnover or activity of a corporate customer increases,
 - 16.5.4. A person has just been designated as a PEP,
 - 16.5.5. The nature, volume or size of transactions changes.
- 16.6. Company will stay vigilant for any significant changes or inconsistencies in the pattern of transactions. Inconsistency is measured against the stated original purpose of the accounts and the customer updated KYC profile. Possible areas to monitor could be:
- 16.6.1. Transaction Type;
 - 16.6.2. Frequency;
 - 16.6.3. Amount;
 - 16.6.4. Geographical Origin/Destination
 - 16.6.5. Account Signatories.
- 16.7. However, if an IISL has a suspicion of ML/TF or becomes aware at any time that it lacks sufficient information about an existing customer, it should take steps to ensure that all relevant information is obtained as quickly as possible;
- 16.8. It is recognized that the most effective method of monitoring of accounts is achieved through a combination of computerized and human maIISL solutions. A corporate compliance culture, and properly trained, vigilant staff through their day-to-day dealing with customers, will form an effective monitoring mechanism.
- 16.9. Whilst some IISL may wish to invest in expert computer systems specifically designed to assist the detection of fraud and ML/TF, it is recognized that this may not be a practical option for many IISL for the reasons of cost, the nature of their business, or difficulties of systems integration. In such circumstances IISL will need to ensure they have alternative systems in place for conducting on-going monitoring.
- 16.10. It is recognized that the most effective method of monitoring of accounts is achieved through a combination of computerized and human maIISL solutions. A corporate compliance culture, and properly trained, vigilant staff through their day-to-day dealing with customers, will form an effective monitoring mechanism. Points should be in mind while performing On-going due diligence;
- 16.10.1. Customers who wish to invest or settle using cash.
 - 16.10.2. Customers who use a cheque that has been drawn on an account other than their own
 - 16.10.3. Customers who change the settlement details at the last moment.
 - 16.10.4. Customers who insist on entering into financial commitments that appears to be considerably beyond their means.
 - 16.10.5. Customers who accept relatively uneconomic terms, when with a little effort they could have a much better deal.
 - 16.10.6. Transfer of the benefit of an asset to an apparently unrelated third party or assignment of such benefit as collateral.
 - 16.10.7. Customers who are unknown to the broker and verification of identity / incorporation prove difficult.
 - 16.10.8. Customers who wish to deal on a large scale but are completely unknown to the broker.



- 16.10.9. Significant variation in the pattern of investment without reasonable or acceptable explanation.
- 16.10.10. Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring/ reporting thresholds.
- 16.10.11. Transactions involve penny/microcap stocks.
- 16.10.12. Customer requests a securities provider to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial owner), in close chronology.
- 16.10.13. Transfers are made to the same person from different individuals or to different persons from the same individual with no reasonable explanation.
- 16.10.14. Unusually large aggregate wire transfers or high volume or frequency of transactions are made with no logical or apparent reason.
- 16.10.15. Customer invests in securities suddenly in large volumes, deviating from previous transactional activity.
- 16.10.16. Customer conducts mirror trades.
- 16.10.17. Customer closes securities transaction before maturity, absent volatile market conditions or other logical or apparent reason.
- 16.10.18. Customers who have no obvious reason for using the services of the broker (e.g.: customers with distant addresses who could find the same service nearer their home base; customers whose requirements are not in the normal pattern of the service provider's business which could be more easily serviced elsewhere).
- 16.10.19. Customers who refuse to explain why they wish to make an investment that has no obvious purpose.
- 16.10.20. Customers who are introduced by an overseas agent based in a country noted for drug trafficking or distribution.
- 16.10.21. Customers who carry out large numbers of transactions with the same counterparty in small amounts of the same security, each purchased for cash and then sold in one transaction, particularly if the proceeds are also then credited to an account different from the original account.
- 16.10.22. Customer trades frequently, selling at a loss.
- 16.10.23. Customers who constantly pay-in or deposit cash to cover requests for banker's drafts, money transfers or other negotiable and readily marketable money instruments.
- 16.10.24. Customers who wish to maintain a number of trustee or customers' accounts which does not appear consistent with the type of business, including transactions which involve nominee names.
- 16.10.25. Any transaction involving an undisclosed party.



17. CUSTOMER DUE DILIGENCE (CDD):

17.4. For Natural Persons:

- 17.4.1. Ismail Iqbal Securities (Private) Limited is required to know who its Customers are and it shall not keep anonymous accounts or accounts in fictions names. Ismail Iqbal Securities (Private) Limited shall take the following steps to ensure that its Customers are who they purport themselves to be:
- 17.4.1.1. To identify and verify the Customers including their beneficial owners;
 - 17.4.1.2. To understand the intended nature and purpose of the relationship;
 - 17.4.1.3. To know actual ownership; and
 - 17.4.1.4. To know control structure of the Customer.
- 17.4.2. Ismail Iqbal Securities (Private) Limited shall conduct ongoing due diligence on the business relationship and scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with:
- 17.4.2.1. Knowledge of the Customer;
 - 17.4.2.2. Business and Risk Profile as assessed through Annexure-3 of SECP Guidelines on AML/CFT Regulations;
 - 17.4.2.3. Where necessary, the source of funds.
- 17.4.3. Ismail Iqbal Securities (Private) Limited shall conduct CDD when establishing a business relationship if:
- 17.4.3.1. There is a suspicion of ML/TF, Annex 4 gives some examples of potentially suspicious activities or “red flags” for ML/TF; or
 - 17.4.3.2. There are doubts as to the veracity or adequacy of the previously obtained customer identification information.
- 17.4.4. In case of suspicion of ML/TF, Ismail Iqbal Securities (Private) Limited should:
- 17.4.4.1. Seek to identify and verify the identity of the customer and the beneficial owner(s), irrespective of any specified threshold that might otherwise apply; and
 - 17.4.4.2. File a Suspicious Transaction Reporting (“STR”) with the FMU, in accordance with the requirements under the Law.
- 17.4.5. Ismail Iqbal Securities (Private) Limited shall monitor transactions to determine whether they are linked and restructured into two or more transactions of smaller values to circumvent the applicable threshold.
- 17.4.6. Ismail Iqbal Securities (Private) Limited shall verify the identification of a customer using reliable independent source documents, data or information including verification of CNICs from Verisys. Similarly, IISLs shall identify and verify the customer’s beneficial owner(s) to ensure that the IISL understands who the ultimate beneficial owner is.
- 17.4.7. Ismail Iqbal Securities (Private) Limited shall ensure that they understand the purpose and intended nature of the proposed business relationship or transaction.
- 17.4.8. Ismail Iqbal Securities (Private) Limited shall also verify whether that authorized person is properly authorized to act on behalf of the customer while conducting CDD on the authorized person(s) using the same standards that are applicable to a customer and



ascertaining the reason for such authorization and obtain a copy of the authorization document.

17.5. Beneficial Ownership of Legal Persons and Legal Arrangements:

1. Where the customer is a legal person, in addition to other measures the regulated person shall acquire and use requisite information and data obtained from a reliable source, for the following purposes
 - a. Understand the nature of the customer's business and its ownership and control structure;
 - b. Identify and verify the identity of the natural persons (whether acting alone or together) who owns or ultimately has controlling ownership interest in the legal person;
 - c. Where there is doubt under clause (b) as to whether the natural persons who ultimately own or have controlling ownership interest in the legal person are the beneficial owners or where no natural persons ultimately own or exert control through ownership interest in the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person
 - d. Where no natural persons are identified under clause (b) or (c), identify the natural persons having executive authority in the legal person, or in equivalent or similar positions.

2. Where the customer is a legal arrangement, the regulated person shall, in addition to other measures, acquire and use requisite information and data obtained from a reliable source, for the following purposes¹⁸-
 - a. for trusts, identify and verify the identity of the settler, the trustee, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class), and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership); and
 - b. For other types of legal arrangements, identify and verify the identity of persons in equivalent or similar positions, as those described under clause (a).
 - c. **Identification of Beneficiary for Life Insurance or Takaful Policies.-**
In addition to all other requirements of these regulations, an insurer/ takaful operator shall conduct the following CDD measures for the beneficiary of life insurance or takaful and other insurance or takaful related policies as soon as beneficiary of such policy is identified or designated.
 - (a) For a beneficiary that is identified as specifically named natural person, legal person or legal arrangement, obtain the full name and identity of such beneficiary;



- (b) For a beneficiary that is designated by characteristics, class or other means and is known to the regulated person, obtain sufficient information concerning the beneficiary to satisfy that it will be able to establish the identity of the beneficiary at the time of payout.
- (c) For both the above cases, the verification of the identity of the beneficiary should occur at the time of the payout.
- (2) An insurer/ takaful operator shall take reasonable measures at the time of the payout, to determine whether the beneficiaries and/or, where applicable, the beneficial owner of the beneficiary are politically exposed persons and where higher risks are identified, an insurer or takaful operator should be required to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny of the whole business relationship with the policyholder, and to consider making a suspicious transaction report.
- (3) An insurer/ takaful operator shall include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced due diligence (EDD) measures are applicable under regulation 9 and where an insurer/ takaful operator determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, it shall take enhanced measures, which include reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary, at the time of payout.
- d. Identification of Customers that are not physically present:**
- i. Ismail Iqbal Securities (Private) Limited shall apply equally effective Customers identification procedures and ongoing monitoring standards for Customers not physically present for identification purposes as for those where the client is available for interview.
 - ii. Where a Customer has not been physically present for identification purposes, practices will generally not be able to determine that the documentary evidence of identity actually relates to the Customers they are dealing with.
 - iii. Consequently, there are increased risks and practices must carry out at least one of the following measures to mitigate the risks posed:
 - iv. Further verifying the Customer's identity on the basis of documents, data or information referred in Annexure-1 to AML/CFT Regulations, but not previously used for the purposes of verifying the client's identity;
 - v. Taking supplementary measures to verify the information relating to the client that has been obtained by the practice.



e. If Customer Due Diligence Measures are not Completed.

Where a Securities Broker is unable to complete and comply with CDD requirements as specified in the Regulations:

i. For New Customers:

1. it shall not open the account;
2. commence a business relationship; or
3. Perform the transaction.

ii. For Existing Customers:

1. Ismail Iqbal Securities (Private) Limited shall terminate the relationship.
2. Additionally, Ismail Iqbal Securities (Private) Limited shall consider making a STR to the FMU.

3. ENHANCED CUSTOMER DUE DILIGENCE (EDD):

1. Regulated person shall implement appropriate Internal Risk Management systems, policies, procedures and controls to determine if any customer presents high risk of ML/TF.
2. For the purposes of sub-regulation (1), circumstances where a customer presents high risk of ML/TF include but are not limited to the following-
 - a. customers/ policy holders belonging to countries which are non-compliant with anti-money laundering regulations according to FATF;
 - b. such body corporate, partnerships, associations and legal arrangements including non-governmental organizations or not-for-profit organizations which receive donations;
 - c. Legal persons or arrangements with complex ownership structures.
4. Regulated person shall perform EDD proportionate to risk posed to the business relationship by the customers that are identified as high risk or are notified as such by the Commission.
5. EDD measures include but are not limited to the following-
 - a. Obtain approval from regulated person senior management to establish or continue business relations with such customers;
 - b. Establish, by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds, as appropriate; including regulated person's own assessment to this effect; and
 - c. Conduct during the course of business relations, enhanced monitoring of business



relations with the customer.

HIGH RISK CLIENTS:-

As per the Pakistan National Risk Assessment Report on Money Laundering and Terrorism Financing 2019, IISL categorized the following clients as high risk:

- i. Non Government Organization (NGOs);
- ii. Non Profit Organizations (NPOs);
- iii. Lawyers;
- iv. Dealers in Precious Metal and Stones;
- v. Real Estate Dealers;
- vi. Importers/Exporter;
- vii. Private) Companies;
- viii. Foreign Companies;
- ix. Domestic Limited Liability Partnerships;
- x. Foreign Limited Liability Partnerships.

d. High Risk Persons or Transactions:

- i. Ismail Iqbal Securities (Private) Limited shall be required to perform Enhanced Due Diligence on the following:
 - ii. Persons or transactions involving a country identified as higher risk by FATF;
 - iii. Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
 - iv. Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment.

e. High Risk Business Relationship:

- i. Ismail Iqbal Securities (Private) Limited shall apply enhanced CDD measures for high risk business relationships include:
 - ii. Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
 - iii. Updating more regularly the identification data of applicant/customer and beneficial owner;
 - iv. Obtaining additional information on the intended nature of the business relationship;
 - v. Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
 - vi. Obtaining additional information on the reasons for intended or performed transactions;
 - vii. Obtaining the approval of senior management to commence or continue the business relationship; and
 - viii. Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.



- f. High Risk Countries and Territories:**
- i. Ismail Iqbal Securities (Private) Limited required to consult the following to identify above persons or transactions to be aware of the high risk countries/territories:
 - ii. Publicly available information;
 - iii. Sanctions list issued by the UN;
 - iv. FATF high risk and non-cooperative jurisdictions;
 - v. FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index;
 - vi. Useful websites include:
 1. FATF website:www.fatf-gafi.org ;
 2. Transparency International website:www.transparency.org.
 - vii. Further, customers belonging to Afghan Refugee Diasporas and porous border areas of Baluchistan, FATA, KPK, Southern Punjab and Foreign National are also be considered and categorized as High Risk.

g. Complex and Unusual Transactions:

- i. Ismail Iqbal Securities (Private) Limited shall examine the background and purpose of all complex, unusual large transaction, and all unusual patterns of transactions, that have no apparent economic or lawful purpose and conduct enhanced CDD Measures consistent with the risk identified.

h. Suspicious Accounts:

- i. Ismail Iqbal Securities (Private) Limited shall apply enhanced CDD measures to the following accounts:
 - ii. The Customer instructs not to issue any correspondence to the accountholder's address;
 - iii. Hold Mail" accounts; and
 - iv. Where the evidence of identity of the account holder is not already in the file.

6. SIMPLIFIED DUE DILIGENCE ("SDD"):

a. General Principles of SDD:

- i. Ismail Iqbal Securities (Private) Limited may conduct SDD in case of lower risks identified by it. However, Ismail Iqbal Securities (Private) Limited shall ensure that the low risks it identifies are commensurate with the low risks identified by the country or the Commission. While determining whether to apply SDD, Ismail Iqbal Securities (Private) Limited should pay particular attention to the level of risk assigned to the relevant sector, type of customer or activity.
- ii. SDD is not acceptable in higher-risk scenarios where there is an increased risk, or suspicion that the applicant is engaged in ML/TF, or the applicant is acting on behalf of a person that is engaged in ML/TF.
- iii. Where the risks are low and where there is no suspicion of ML/TF, the law allows Ismail Iqbal Securities (Private) Limited to rely on third parties for verifying the identity of the applicants and beneficial owners.



iv. Where Securities Broker decides to take SDD measures on an applicant/customer, it should document the full rationale behind such decision and make available that documentation to the Commission on request.

b. SDD Measures:

- i. Ismail Iqbal Securities (Private) Limited may rate a Customer as low risk justifying it in writing and low risk Customers may include the following:
- ii. regulated person and banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements;
- iii. public listed companies that are subject to regulatory disclosure requirements to ensure adequate transparency of beneficial ownership; and
- iv. Financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.

c. Category of Low Risk Customers:

- i. Ismail Iqbal Securities (Private) Limited shall apply following Simplified Due Diligence measures on Low risk Customer:-
- ii. Reducing the frequency of customer identification updates;
- iii. Reducing the degree of on-going monitoring and scrutinizing transactions, based on a reasonable monetary threshold; and
- iv. Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transaction or business relationship established:

7. POLITICALLY EXPOSED PERSONS:

a. DEFINITION OF PEP:

- i. 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 Ismail Iqbal Securities (Private) Limited with PEPs justify the application of additional anti-money laundering/counter-terrorist financing (AML/CFT) preventative measures with respect to business relationships with PEPs.

b. POLITICALLY EXPOSED PERSONS CATEGORIES

- i. 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:
- ii. **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.



iii. **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, and senior executives of state owned corporations, important political party officials.

iv. **International organization PEPs**

People who is, 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.

v. **Family members**

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

vi. **Close associates**

Individuals who are closely connected to PEP, either socially or professionally.

c. **How you will seek approval from senior management?**

i. Ismail Iqbal Securities (Private) Limited shall obtain Senior Management approval to determine the nature and extend of EDD where the ML/TF risks are high. In assessing the ML/TF risk of a PEP, Ismail Iqbal Securities (Private) Limited shall consider factors such as whether the Customer who is a PEP:

1. Is from a high risk country;
2. Has prominent public function in sectors know to be exposed to corruption;
3. Has business interests that can cause conflict of interests (with the position held).

d. **How you will take adequate measures to establish source of wealth and source of funds?**

i. Ismail Iqbal Securities (Private) Limited shall consider other red flags include (in addition to the Red Flags that they consider for other applicants):

1. The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;
2. Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;
3. A PEP uses multiple bank accounts for no apparent commercial or other reason;
4. The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.

ii. Ismail Iqbal Securities (Private) Limited shall take a risk based approach in determining whether to continue to consider a customer as a PEP who is no longer a PEP. The factors that they should consider include:

1. the level of (informal) influence that the individual could still exercise; and
2. Whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).

iii. Additionally, where appropriate, Securities Broker shall consider filing a STR.

8. **SUSPICIOUS TRANSACTION REPORTING (STR):**

a. **Defining what is a suspicious transaction?**



A suspicious transaction is one for which there are reasonable grounds to suspect that the transaction is related to a money laundering offence or a terrorist activity financing offence. A suspicious transaction can include one that was attempted.

b. How you and your employees/agents will identify suspicious transactions:

- i. Ismail Iqbal Securities (Private) Limited may assess the following transactions as suspicious where a transaction is inconsistent in amount, origin, destination, or type with a Customer's know, legitimate business or personal activities;
- ii. Ismail Iqbal Securities (Private) Limited shall put on enquiry if transaction is considered unusual.
- iii. Ismail Iqbal Securities (Private) Limited shall pay special attention to the following transactions:
 1. All complex transactions;
 2. Unusual large transactions; and
 3. Unusual pattern of transactions.
 4. Which have no apparent economic or visible lawful purpose.

c. Reporting to Compliance Officer:

Where the enquiries conducted by Ismail Iqbal Securities (Private) Limited do not provide a satisfactory explanation of the transactions, respective dealer/sale agent may consider that there are grounds for suspicion requiring disclosure and escalating the matter to the Compliance Officer.

d. Reporting to Relevant Authority:

- i. The Compliance Officer of Ismail Iqbal Securities (Private) Limited shall conduct enquiries regarding complex, unusual large transaction, and unusual patterns of transactions, their background and document their results properly. He may make such transaction available to relevant authorities upon their request.
- ii. 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 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.

iii. Cash Transactions:

1. Where cash transactions are being proposed by Customers, and such requests are not in accordance with the customer's known reasonable practice, Ismail Iqbal Securities (Private) Limited will need to approach such situations with caution and make further relevant enquiries.
2. Ismail Iqbal Securities (Private) Limited will set its parameters at Rs. 25,000 for the identification and further investigation of cash transactions and made a restriction of cash receipt of above Rs. 25,000 will not be accepted by IISL.



3. Where Ismail Iqbal 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.
4. Prime Securities (Pvt.) Limited will report the currency transaction report to the relevant authorities as and when required. Currency Transaction Report is a threshold based report of cash transaction undertaken by the customers of Reporting Entities. A CTR has been defined under Section 2(c) of AML Act 2010, according to which, a CTR is a report on currency transaction of such an amount as may be specified by the National Executive Committee by notification in the official Gazette. Section 5 of AML Regulations 2015 further explains that the CTR is filed when a cash-based transaction involving payment, receipt, or transfer of an amount, as specified by the National Executive Committee, on a prescribed format. As per Gazette notification SRO 73 (I)/2015 dated 21-01-2015, the minimum amount for reporting a CTR to FMU is two million rupees. Accordingly, all cash-based transactions of two million rupees or above involving payment, receipt, or transfer are to be reported to FMU as CTR. Likewise, cash-based foreign currency transaction equivalent to two million rupees or above are to be reported as CTR. Every single cash transaction of two million rupees or above is to be reported as CTR.
5. If Ismail Iqbal Securities (Private) Limited decides that a disclosure should be made, the law requires Ismail Iqbal Securities (Private) Limited 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 link <http://www.fmu.gov.pk/docs/AMLRegulations2015.pdf>.

iv. Reporting to Commission and FMU:

1. Securities Broker 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.
2. Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:
 - a. The date of the report;
 - b. The person who made the report;
 - c. The person(s) to whom the report was forwarded; and
 - d. Reference by which supporting evidence is identifiable.
3. Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), Ismail Iqbal Securities (Private) Limited shall consider filing a STR.
4. Where an attempted transaction gives rise to knowledge or suspicion of ML/TF, Ismail Iqbal Securities (Private) Limited shall report attempted transaction to the FMU.
5. Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity Ismail Iqbal Securities (Private) Limited shall ensure that appropriate action is taken to adequately mitigate its risk being used for criminal activities.



6. Ismail Iqbal Securities (Private) Limited may include a review of either the risk classification of the Customer or account or of the entire relationship itself.
7. 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.
- e. **Tipping-off & Reporting:**
 - i. **The Law prohibits tipping-off:**
 1. A risk exists that Customers could be unintentionally tipped off when Ismail Iqbal Securities (Private) Limited is seeking to complete its CDD obligations or obtain additional information in case of suspicion of ML/TF.
 2. The applicant/customer's awareness of a possible STR or investigation could compromise future efforts to investigate the suspected ML/TF operation.
 3. If Ismail Iqbal Securities (Private) Limited forms a suspicion of ML/TF while conducting CDD or ongoing CDD, it should take into account the risk of tipping-off when performing the CDD process.
 4. If Ismail Iqbal Securities (Private) Limited reasonably believes that performing the CDD or on-going process will tip-off the applicant/customer, it may choose not to pursue that process, and should file a STR.
 5. Ismail Iqbal Securities (Private) Limited shall ensure that their employees are aware of, and sensitive to, these issues when conducting CDD or ongoing CDD.



- 9. RECORD KEEPING PROCEDURES:**
- a. Ismail Iqbal Securities (Private) Limited shall ensure that all information obtained in the context of CDD is recorded. This includes both;
 - i. Recording the documents Ismail Iqbal Securities (Private) Limited is provided with when verifying the identity of the Customer or the beneficial owner; and
 - ii. Transcription into Ismail Iqbal Securities (Private) Limited's own IT systems of the relevant CDD information contained in such documents or obtained by other means.
 - b. Ismail Iqbal Securities (Private) Limited shall maintain, for at least 5 years after termination, all necessary records on transactions to be able to comply swiftly with information requests from the competent authorities. Such records should be sufficient to permit the reconstruction of individual transactions, so as to provide, if necessary, evidence for prosecution of criminal activity.
 - c. Where there has been a report of a suspicious activity or Ismail Iqbal Securities (Private) Limited is aware of a continuing investigation or litigation into ML/TF relating to a customer or a transaction, records relating to the transaction or the customer shall be retained until confirmation is received that the matter has been concluded.
 - d. Ismail Iqbal Securities (Private) Limited shall also keep following records of identification data obtained through the Customer Due Diligence process that would be useful to an investigation for a period of 5 years after the business relationship has ended:
 - i. Account files;
 - ii. Business correspondence;
 - iii. Records pertaining to enquiries about:
 1. Complex;
 2. Unusual large transactions; and
 3. Unusual patterns of transactions.
 - e. Beneficial ownership information must be maintained for:
 - i. At least five (5) years after the date on which the customer (a legal entity) is dissolved or otherwise ceases to exist; or
 - ii. Five (5) years after the date on which the customer ceases to be a customer of Ismail Iqbal Securities (Private) Limited.
 - f. Records relating to verification of identity will generally comprise:
 - i. a description of the nature of all the evidence received relating to the identity of the verification subject; and
 - ii. The evidence itself or a copy of it or, if that is not readily available, information reasonably sufficient to obtain such a copy.
 - g. Records relating to transactions will generally comprise:
 - i. Details of personal identity, including the names and addresses, of:
 1. The customer;
 2. The beneficial owner of the account or product; and
 3. Any counter-party
 - ii. Details of securities and investments transacted including:



1. The Nature of such securities/investments;
2. Valuation and price(s);
3. Memoranda of purchase and sale;
4. Source and volume of funds and securities;
5. Destination of funds and securities;
6. Memoranda of instruction(s) and authority (ies);
7. Book entries;
8. Custody of title documentation;
9. The nature of the transaction;
10. The date of the transaction;
11. The form (e.g. cash, cheque) in which funds are offered and paid out.

10. EMPLOYEE SCREENING AND TRAINING:

The Ismail Iqbal Securities (Private) Limited policy and procedures with regards to screening prospective and existing employees to ensure abidance with high ethical and professional standards are defined in these sections. The extent of employee screening will be proportionate to the particular risks associated with the individual positions.

Employee screening will be conducted at the time of recruitment and periodically thereafter, i.e., at least annually and where a suspicion has arisen as to the conduct of the employee.

The Company will ensure that their employees are competent and proper for the discharge of the responsibilities allocated to them. While determining whether an employee is fit and proper, the Company will:

- (a) Verify the references provided by the prospective employee at the time of recruitment;
 - (b) Verify the employee's employment history, professional membership and qualifications from his resume and original copies of education documents.
 - (c) Verify details of any regulatory actions or actions taken by a professional body;
 - (d) Verify details of any criminal convictions; if possible and
 - (e) Verify whether the employee has any connections with the sanctioned countries or parties.
- a. As part of Ismail Iqbal Securities (Private) Limited Anti Money Laundering program, all Employees are expected to be fully aware of its Anti-Money Laundering policies and procedures.
 - b. Each Employee is required to read and comply with this Compliance Manual, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands SECP AML and CFT Policies and Procedures.
 - c. To ensure the continued adherence to SECP AML and CFT Policies and Procedures, all Employees are required to reconfirm their awareness of the contents of this Compliance Manual by signing the acknowledgement form annually, or more frequently, as required by the Compliance Officer.
 - d. All Employees are required;
 - i. At a time specified by the Compliance officer, to undertake training programs on AML and CFT Policies and Procedures.




- ii. To get trained in how to recognize and deal with transactions which may be related to money laundering.
- iii. To timely escalate and report the matter to the Compliance Officer.
- iv. To get themselves acquainted with SECP AML & CFT Rules & Regulations.
- v. To comply with the requirements of Rules & Regulations.



Ahfaz Mustafa
Chief Executive Officer





Muhammad Taufiq
Director