



SAZCAPITAL

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

Approved by the Board of Director on 23<sup>rd</sup> November 2018

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## 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 Broker 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:**

Under this policy we have formed a formal Committee comprising on the following members whose responsibility to monitor and to ensure effectively control pertaining to Anti-laundering and countering the financing terrorism transactions of the clients in order to safe-guard /protect the interest of the company as well as our country. The policy will be implemented by the Compliance Officer with the consultation of the Chief Executive Officer as and when required.

Under the policy the Chief Accountant of our company will cater and note to different types of clients like High Risk, Moderate Risk and Low Risk vigilantly and meticulously. If in case any suspicious transaction is found by the Chief Accountant, he will refer the matter to the Compliance Officer. The Compliance Officer will scrutinize that such transaction with the help of Manager Operation. After scrutinize if any transaction seems to be suspicious nature will be referred to committee for necessary action and committee will decide the matter to report to the concerned authority.

Further Chief Accountant will check and identify the cash and online transactions of the clients and also check daily traded transactions of the clients carefully to ascertain the identity of the beneficiary with respect to the source of funds used for soliciting the policy and to ensure regular monitoring of source of funds of the clients with the consultation of Compliance Officer. In this matter the Chief Accountant and Compliance Officer will also adopt the same procedure as mentioned in para-1

**5. COMPLIANCE FUNCTIONS:**

A compliance function shall be established with suitable human and MIS reporting capabilities enabling it to effectively monitor the customer’s transaction and make timely reports.

The Head of compliance function shall have skill and experience necessary for satisfactory performance of function assigned. Head of Compliance shall be independent and report directly to the board of Directors.

The compliance function shall ensure compliance with the requirements of these policies as well as other regulatory requirements applicable under the relevant legal framework. A record shall be maintained of all violation/ non-compliance identified and reported to the BOD and must be available for inspection of SECP/LEAs as and when required.

**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 Saz Capital Securities (Pvt) Limited 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 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 the Saz Capital Securities (Pvt) 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 the Saz Capital Securities (Pvt) Limited or its Customers are exposed to as and when it comes it his knowledge.

**9. THREE LINES OF DEFENSE:**

The Saz Capital Securities (Pvt) Limited shall establish the following three (3) lines of Defense to combat ML/TF:

**9.1. Front Office (Customer-Facing Activity):**

- 9.1.1. 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 the Saz Capital Securities (Pvt) Limited which include the following:
  - 9.1.2. 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 market as "Not Applicable or Crossed";
  - 9.1.3. KYC forms shall be completed in the presence of the Customer;
  - 9.1.4. All attachments needed as per Standard Account Opening Forms of CDC and PSX shall be completed;
  - 9.1.5. Account Opening amount shall be accepted in cheque/pay-order/demand draft on the bank of beneficial owner of the customer.
- 9.2. Account Opening confirmation along with all details entered into Saz Capital Securities (Pvt) Limited'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

**Compliance Checks:**

- 9.2.1. The Compliance Officer shall check the account opening forms along with all annexures before allowing the Customer to start Business Relation with the Saz Capital Securities (Pvt) Limited;
- 9.2.2. 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 the Saz Capital Securities (Pvt) Limited;

9.2.3. 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

9.2.4. The Compliance Officer shall do the Risk Profiling of the Customer based on Risk Assessment of the Customer.

**9.3. Internal Audit Process:**

9.3.1. Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis;

9.3.2. 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;

9.3.3. Internal Auditor shall follow-up their findings and recommendation until their complete rectifications.

**10. IDENTIFICATION OF CUSTOMERS, ASSESSMENT AND UNDERSTANDING OF RISK:**

10.1. The Saz Capital Securities (Pvt) Limited shall understand, identify and assess the inherent ML/TF risks posed by its:

10.1.1. customer base;

10.1.2. products and services offered;

10.1.3. delivery channels;

10.1.4. the jurisdictions within which it or its Customers do business; and

10.1.5. another relevant risk category.

10.2. The Saz Capital Securities (Pvt) 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

10.2.1. High

10.2.2. Medium

10.2.3. Low

10.3. The Saz Capital Securities (Pvt) 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.

- 10.4. The Saz Capital Securities (Pvt) Limited shall assess 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:
  - 10.4.1. financial loss to the Saz Capital Securities (Pvt) Limited from the crime;
  - 10.4.2. monetary penalty from regulatory authorities; and
  - 10.4.3. reputational damages to the business or the entity itself.
- 10.5. The Saz Capital Securities (Pvt) 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;
  - 10.5.1. High if it can occur several times per year;
  - 10.5.2. Medium if it can occur once per year; and
  - 10.5.3. Low if it is unlikely, but not possible.
- 10.6. The Saz Capital Securities (Pvt) Limited should update its risk assessment every 12 to 18 months taking into account:
  - 10.6.1. new products are offered;
  - 10.6.2. new markets are entered;
  - 10.6.3. high risk Customers open or close their account; or
  - 10.6.4. the products, services, policies and procedures are changed.
- 10.7. Saz Capital Securities (Pvt) Limited shall have appropriate mechanism to provide risk assessment information to the Commission if required.
- 10.8. **High-Risk Classification Factors:**
  - 10.8.1. The Saz Capital Securities (Pvt) 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 the Saz Capital Securities (Pvt) Limited for ML or TF, and the consequent impact if indeed occurs. Risk Factor that may be relevant when considering the risk associated with a Customer or a Customer's beneficial owner's business include:
  - 10.8.2. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the Saz Capital Securities (Pvt) Limited and the Customer);
  - 10.8.3. Non-resident Customers;
  - 10.8.4. Legal persons or arrangements;

- 10.8.5. Companies that have nominee shareholders;
- 10.8.6. Business that is cash-intensive;
- 10.8.7. 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;
- 10.8.8. Politically Exposed Persons;
- 10.8.9. Shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- 10.8.10. Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets; and
- 10.8.11. Requested/Applied quantum of business does not match with the profile/particulars of client.

**10.9. Country or Geographic Risk Factor:**

- 10.9.1. Due to location of a Customer, the origin of a destination of transactions of the Customer, business activities of the Saz Capital Securities (Pvt) 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. The Saz Capital Securities (Pvt) Limited may indicate High Risk to its Customers based on following factors:
- 10.9.2. 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;
- 10.9.3. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations;
- 10.9.4. Countries identified by credible sources as having significant levels of corruption or other criminal activity; and

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

**10.10. Product, Service, Transaction or Delivery Channel Risk Factor:**

- 10.10.1. The Saz Capital Securities (Pvt) 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:

- 10.10.2. Anonymous transactions (which may include cash);
- 10.10.3. Non-face-to-face business relationships or transactions;
- 10.10.4. Payments received from unknown or un-associated third parties;
- 10.10.5. International transactions, or involve high volumes of currency (or currency equivalent) transactions;
- 10.10.6. New or innovative products or services that are not provided directly by the Saz Capital Securities (Pvt) Limited, but are provided through channels of the institution;
- 10.10.7. Products that involve large payment or receipt in cash; and
- 10.10.8. One-off transactions.

**10.10.9. Country risk factors:**

- 10.10.9.1. The Saz Capital Securities (Pvt) 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:
- 10.10.9.2. Countries identified by credible sources, such as mutual evaluation or detailed assessment reports, as having effective AML/CFT systems; and
- 10.10.9.3. Countries identified by credible sources as having a low level of corruption or other criminal activity.

**10.10.10. Risk Matrix:**

- 10.10.10.1. The Saz Capital Securities (Pvt) 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;
- 10.10.10.2. in Low Risk category;
- 10.10.10.3. those that carry somewhat higher risk, but still acceptable risk; and
- 10.10.10.4. those that carry a high or unacceptable risk of money laundering and terrorism financing.

**11. THE RISK ASSESSMENT OF CUSTOMER**

Risk assessment must be performed of all the existing and prospective customer on the basis of information obtained regarding their identity, nature of income, source of funding, location etc. and based on the results of such assessment, categorize customer among high risk, medium risk and low risk customer.

Following are general board outline of the factors that will categorize the customer into high risk category:

- 11.1 Non-resident customer:
- 11.2 Legal persons or arrangements including non-governmental organization: (NSOs)/not-for-profit organization (NPOs) and trusts/ charities:
- 11.3 customer belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries:
- 11.4 customers whose Business or activities present a higher risk of money laundering such as cash based businesses:
- 11.5 customers with links of offshore tax havens:
- 11.6 high net worth customer with no clearly identifiable source of income:
- 11.7 There is reason to believe that the customer has been refused brokerage services by another brokerage house:
- 11.8 Non-face-to-face / on-line customers:
- 11.9 Establishing business relationship or transaction with counterparts from or in countries not sufficiently applying FATF recommendations:
- 11.10 Politically Exposed persons (PEPs) or customers holding public or high profile positions politically exposed persons (PEPs) are individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationship with family member or close associates of PEPs involve reputational risks similar or those with PEPs themselves, the definition is not intended to cover middle ranking or more junior individuals in the foregoing categories.

11.11 Self-assessment shall be conducted for money laundering and terrorist financing risk, identifying and documenting the key risk presented by virtue of company's business model, types of customer and geographical placement on case to case basis.

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## **12. CUSTOMER DUE DILIGENCE (CDD):**

### **12.1. For Natural Persons:**

12.1.1. The Saz Capital Securities (Pvt) Limited is required to know who its Customers are and it shall not keep anonymous accounts or accounts in fictitious names. The Saz Capital Securities (Pvt) Limited shall take the following steps to ensure that its Customers are who they purport themselves to be:

12.1.1.1. To identify and verify the Customers including their beneficial owners;

12.1.1.2. To understand the intended nature and purpose of the relationship;

12.1.1.3. To know actual ownership; and

12.1.1.4. To know control structure of the Customer.

12.1.2. The Saz Capital Securities (Pvt) 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:

12.1.2.1. Knowledge of the Customer;

12.1.2.2. Where necessary, the source of funds.

12.1.3. The Saz Capital Securities (Pvt) Limited shall conduct CDD when establishing a business relationship if:

12.1.3.1. There are doubts as to the veracity or adequacy of the previously obtained customer identification information.

12.1.4. In case of suspicion of ML/TF, the Saz Capital Securities (Pvt) Limited should:

12.1.4.1. 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

12.1.4.2. File a Suspicious Transaction Reporting ("STR") with the FMU, in accordance with the requirements under the Law.

12.1.5. The Saz Capital Securities (Pvt) 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.

12.1.6. The Saz Capital Securities (Pvt) Limited shall verify the identification of a customer using reliable independent source documents, data or information including verification of CNICs from Verisys. Similarly, RPs shall identify and verify the customer's beneficial owner(s) to ensure that the RP understands who the ultimate beneficial owner is.

12.1.7. The Saz Capital Securities (Pvt) Limited shall ensure that they understand the purpose and intended nature of the proposed business relationship or transaction.

12.1.8. The Saz Capital Securities (Pvt) 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.

**12.2. Beneficial Ownership of Legal Persons and Legal Arrangements:**

12.2.1. The Saz Capital Securities (Pvt) Limited shall identify and verify the identity of the customer, and understand the nature of its business, and its ownership and control structure.

12.2.2. The purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is twofold:

12.2.2.1. 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

12.2.2.2. second, to take appropriate steps to mitigate the risks.

12.2.3. If the Saz Capital Securities (Pvt) Limited has any reason to believe that an applicant has been refused facilities by another Saz Capital Securities (Pvt) Limited due to concerns over illicit activities of the customer, it should consider classifying that applicant:

12.2.3.1. as higher-risk and apply enhanced due diligence procedures to the customer and the relationship;

12.2.3.2. filing an STR; and/or

- 12.2.3.3. not accepting the customer in accordance with its own risk assessments and procedures.
- 12.3. The Saz Capital Securities (Pvt) Limited shall accept copies of the documents for identifying a Customer verified by seeing originals during establishing business relationship.

**12.4. Identification of Customers that are not physically present:**

- 12.4.1. The Saz Capital Securities (Pvt) 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.
- 12.4.2. 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.
- 12.4.3. Consequently, there are increased risks and practices must carry out at least one of the following measures to mitigate the risks posed:
  - 12.4.3.1. 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;
  - 12.4.3.2. taking supplementary measures to verify the information relating to the client that has been obtained by the practice.

**12.5. If Customer Due Diligence Measures are Not Completed.**

Where a Saz Capital Securities (Pvt) Limited is unable to complete and comply with CDD requirements as specified in the Regulations:

**12.5.1. For New Customers:**

- 12.5.1.1. it shall not open the account;
- 12.5.1.2. commence a business relationship; or
- 12.5.1.3. perform the transaction.

**12.5.2. For Existing Customers:**

- 12.5.2.1. The Saz Capital Securities (Pvt) Limited shall terminate the relationship.
- 12.5.2.2. Additionally, the Saz Capital Securities (Pvt) Limited shall consider making a STR to the FMU.

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### **13. ENHANCED CUSTOMER DUE DILIGENCE MEASURES:**

#### **13.1. High Risk Persons or Transactions:**

- 13.1.1. The Saz Capital Securities (Pvt) Limited shall be required to perform Enhanced Due Diligence on the following:
- 13.1.2. Persons or transactions involving a country identified as higher risk by FATF;
- 13.1.3. Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
- 13.1.4. Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment.

#### **13.2. High Risk Business Relationship:**

- 13.2.1. The Saz Capital Securities (Pvt) Limited shall apply enhanced CDD measures for high risk business relationships include:
- 13.2.2. Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- 13.2.3. Updating more regularly the identification data of applicant/customer and beneficial owner;
- 13.2.4. Obtaining additional information on the intended nature of the business relationship;
- 13.2.5. Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- 13.2.6. Obtaining additional information on the reasons for intended or performed transactions;
- 13.2.7. Obtaining the approval of senior management to commence or continue the business relationship; and
- 13.2.8. 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.

#### **13.3. High Risk Countries and Territories:**

- 13.3.1. The Saz Capital Securities (Pvt) Limited is required to consult the following to identify above persons or transactions to be aware of the high risk countries/territories:

- 13.3.2. Publicly available information;
- 13.3.3. Sanctions list issued by the UN;
- 13.3.4. FATF high risk and non-cooperative jurisdictions;
- 13.3.5. FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index;
- 13.3.6. Useful websites include:
  - 13.3.6.1. FATF website: [www.fatf-gafi.org](http://www.fatf-gafi.org) ; and
  - 13.3.6.2. Transparency International website: [www.transparency.org](http://www.transparency.org).

**13.4. Complex and Unusual Transactions:**

- 13.4.1. The Saz Capital Securities (Pvt) 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.

**13.5. Suspicious Accounts:**

- 13.5.1. The Saz Capital Securities (Pvt) Limited shall apply enhanced CDD measures to the following accounts:
- 13.5.2. The Customer instructs not to issue any correspondence to the account holder's address;
- 13.5.3. Hold Mail" accounts; and

Where the evidence of identity of the account holder is not already in the file

**14. SIMPLIFIED DUE DILIGENCE MEASURES ("SDD"):**

**14.1. General Principles of SDD:**

- 14.1.1. The Saz Capital Securities (Pvt) Limited may conduct SDD in case of lower risks identified by it. However, the Saz Capital Securities (Pvt) 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, the Saz Capital Securities (Pvt) Limited should pay particular attention to the level of risk assigned to the relevant sector, type of customer or activity.

14.1.2.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.

14.1.3.Where the risks are low and where there is no suspicion of ML/TF, the law allows the Saz Capital Securities (Pvt) Limited to rely on third parties for verifying the identity of the applicants and beneficial owners.

14.1.4.Where Saz Capital Securities (Pvt) Limited 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.

**14.2. Category of Low Risk Customers:**

14.2.1.The Saz Capital Securities (Pvt) Limited may rate a Customer as low risk justifying it in writing and low risk Customers may include the following:

14.2.2.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;

14.2.3.public listed companies that are subject to regulatory disclosure requirements to ensure adequate transparency of beneficial ownership; and

14.2.4.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.

**14.3. SDD Measures:**

14.3.1.The Saz Capital Securities (Pvt) Limited shall apply following Simplified Due Diligence measures on Low risk Customer:-

14.3.2.reducing the frequency of customer identification updates;

14.3.3.reducing the degree of on-going monitoring and scrutinizing transactions, based on a reasonable monetary threshold; and

14.3.4.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:



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## **15. POLITICALLY EXPOSED PERSONS:**

### **15.1. DEFINITION OF PEP:**

15.1.1. 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-terrorist financing (AML/CFT) preventative measures with respect to business relationships with PEPs.

### **15.2. POLITICALLY EXPOSED PERSONS CATEGORIES**

15.2.1. 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:

#### **15.2.2. 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.

#### **15.2.3. 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.

#### **15.2.4. 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.

**15.2.5. Family members**

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

**15.2.6. Close associates**

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

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

15.3.1. The Saz Capital Securities (Pvt) Limited shall consider other red flags include (in addition to the Red Flags that they consider for other applicants):

15.3.1.1. The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;

15.3.1.2. Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;

15.3.1.3. A PEP uses multiple bank accounts for no apparent commercial or other reason;

15.3.1.4. The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.

15.3.2. The Saz Capital Securities (Pvt) 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:

15.3.2.1. the level of (informal) influence that the individual could still exercise; and

15.3.2.2. 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).

15.3.3. Additionally, where appropriate, Saz Capital Securities (Pvt) Limited shall consider filing a STR.

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**16. SUSPICIOUS TRANSACTION REPORTING:**

**16.1. 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.

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

16.2.1. The Saz Capital Securities (Pvt) Limited may assess the following transactions as suspicious where a transaction is inconsistent in amount, origin, destination, or type with a Customer's known, legitimate business or personal activities;

16.2.2. The Saz Capital Securities (Pvt) Limited shall put on enquiry if a transaction is considered unusual.

16.2.3. The Saz Capital Securities (Pvt) Limited shall pay special attention to the following transactions:

16.2.3.1. All complex transactions;

16.2.3.2. Unusual large transactions; and

16.2.3.3. Unusual pattern of transactions.

16.2.3.4. Which have no apparent economic or visible lawful purpose.

**16.3. Reporting to Compliance Officer:**

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

**16.4. Reporting to Relevant Authority:**

16.4.1. The Compliance Officer of the Saz Capital Securities (Pvt) Limited shall conduct enquiries regarding complex, unusual large transactions, and unusual patterns of transactions, their background and document their results properly. He may make such transaction available to relevant authorities upon their request.

16.4.2. 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:

16.4.2.1. any unusual financial activity of the Customer in the context of the Customer's own usual activities;

16.4.2.2. any unusual transaction in the course of some usual financial activity;

- 16.4.2.3.any unusually-linked transactions;
- 16.4.2.4.any unusual method of settlement;
- 16.4.2.5.any unusual or disadvantageous early redemption of an investment product;
- 16.4.2.6.any unwillingness to provide the information requested.

**16.4.3. Cash Transactions:**

- 16.4.3.1.Where cash transactions are being proposed by Customers, and such requests are not in accordance with the customer's known reasonable practice, the Saz Capital Securities (Pvt) Limited will need to approach such situations with caution and make further relevant enquiries.
- 16.4.3.2.Where the Saz Capital Securities (Pvt) 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.
- 16.4.3.3.If the Saz Capital Securities (Pvt) Limited decides that a disclosure should be made, the law requires the Saz Capital Securities (Pvt) 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>.

**16.4.4. Reporting to Commission and FMU:**

- 16.4.4.1.Saz Capital Securities (Pvt) 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.
- 16.4.4.2.Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:
  - 16.4.4.2.1.the date of the report;
  - 16.4.4.2.2.the person who made the report;
  - 16.4.4.2.3.the person(s) to whom the report was forwarded; and
  - 16.4.4.2.4.reference by which supporting evidence is identifiable.
- 16.4.4.3. Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), the Saz Capital Securities (Pvt) Limited shall consider filing a STR.

- 16.4.4.4. Where an attempted transaction gives rise to knowledge or suspicion of ML/TF, the Saz Capital Securities (Pvt) Limited shall report attempted transaction to the FMU.
- 16.4.4.5. Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity The Saz Capital Securities (Pvt) Limited shall ensure that appropriate action is taken to adequately mitigate its risk being used for criminal activities.
- 16.4.4.6. The Saz Capital Securities (Pvt) Limited may include a review of either the risk classification of the Customer or account or of the entire relationship itself.
- 16.4.4.7. 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.

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**17. RECORD KEEPING PROCEDURES:**

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17.1. The Saz Capital Securities (Pvt) Limited shall ensure that all information obtained in the context of CDD is recorded. This includes both;

17.1.1. recording the documents the Saz Capital Securities (Pvt) Limited is provided with when verifying the identity of the Customer or the beneficial owner; and

17.1.2. transcription into the Saz Capital Securities (Pvt) Limited's own IT systems of the relevant CDD information contained in such documents or obtained by other means.

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17.2. The Saz Capital Securities (Pvt) 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.

17.3. Where there has been a report of a suspicious activity or the Saz Capital Securities (Pvt) 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.

17.4. The Saz Capital Securities (Pvt) 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:

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17.4.1. Account files;

17.4.2. Business correspondence;

17.4.3. Records pertaining to enquiries about:

17.4.3.1. Complex;

17.4.3.2. Unusual large transactions; and

17.4.3.3. Unusual patterns of transactions.

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17.5. Beneficial ownership information must be maintained for:

17.5.1.at least five (5) years after the date on which the customer (a legal entity) is dissolved or otherwise ceases to exist; or

17.5.2.five (5) years after the date on which the customer ceases to be a customer of the Saz Capital Securities (Pvt) Limited.

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17.6. Records relating to verification of identity will generally comprise:

17.6.1.a description of the nature of all the evidence received relating to the identity of the verification subject; and

17.6.2.the evidence itself or a copy of it or, if that is not readily available, information reasonably sufficient to obtain such a copy.

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17.7. Records relating to transactions will generally comprise:

17.7.1.details of personal identity, including the names and addresses, of:

17.7.1.1.the customer;

17.7.1.2.the beneficial owner of the account or product; and

17.7.1.3.Any counter-party

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## **18. EMPLOYEE SCREENING AND TRAINING:**

18.1. As part of the Saz Capital Securities (Pvt) Limited Anti Money Laundering program, all Employees are expected to be fully aware of its Anti-Money Laundering policies and procedures.

18.2. 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.

18.3. 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.

18.4. All Employees are required;

18.4.1. At a time specified by the Compliance officer, to undertake training programs on AML and CFT Policies and Procedures.

18.4.2. To get trained in how to recognize and deal with transactions which may be related to money laundering.

18.4.3. To timely escalate and report the matter to the Compliance Officer.

18.4.4. To get themselves acquainted with SECP AML & CFT Rules & Regulations.

18.4.5. To comply with the requirements of Rules & Regulations.

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