

ABM SECURITIES (PVT) LIMITED

TREC Holder

Pakistan Stock Exchange Limited

AML/CFT POLICY & PROCEDURES

Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT) Policies, Procedures for ABM Securities (Pvt) Limited

ANTI-MONEY LAUNDERING COMPLIANCE STATEMENT

1. Policy Statement/Introduction

ABM SECURITIES (PVT) LTD is a company held Trec of erstwhile LSE and after Integration of Stock Exchanges in January, 2016, is having Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange (PSX), duly licensed as Securities Broker, registered under Securities Act, 2015, together read with Securities Brokers (Licensing and Operations) Regulations, 2016, to act as a broker on PSX. **ABM SECURITIES (PVT) LTD** is having complete corporate structure and provides the securities and financial services.

The ABM Securities (Pvt) Limited (ABM) is committed to fully comply with all applicable laws and regulations regarding anti-money laundering procedures. ABM has adopted and will enforce the provisions set forth in AML/CFT Regulations in order to prevent and detect money laundering, terrorist financing and other illegal activities.

Therefore, it is imperative that every member, officer, director, and employee (each, an "Employee") is familiar with and complies with the policy and procedures set forth in this document.

This Compliance Statement is designed to assist all clients in adhering to ABM's policy and procedures, which, if followed diligently, are designed to protect themselves, ABM's, its Employees, its facilities and its activities from money laundering or other illegal activities.

BACKGROUND:

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. 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 or facilitation of in ML and TF.

Securities and Exchange Commission of Pakistan ("SECP"), in order to maintain the integrity of its regulated financial sector inter-alia; the brokers in respect of preventing and combating ML and TF, notified the Securities and Exchange Commission of Pakistan Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 ("the SECP AML/CFT Regulations "or" the Regulations"). The SECP AML/CFT Regulations require relevant Regulated Persons (RPs) to establish systems to detect ML and TF, and therefore assist in the prevention of abuse of their financial products, and services and market related activities.

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Additionally, SECP has issued detailed AML/CFT Guidelines (“the Guidelines”), which complements the SECP AML/CFT Regulations. These Guidelines are applicable to all Regulated Persons (“RPs”) as defined under the Regulations conducting relevant financial business and designed to assist RPs in complying with the Regulations. These Guidelines clarify and explain 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. In addition to the brokerage business, the generalized financial activities should be focus, while monitoring this critical issue.

These 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”).

Definitions:

- (i) **Know Your Customer (“KYC”)** is the process of identifying and verifying the identity of its customers and ascertain relevant information required for doing business with them. KYC involves:
 - a. Seeking evidence of identity and address from the customer and independently confirming that evidence at the start of a relationship with the Company and periodically updating the information as per customer risk classification; and
 - b. Seeking information regarding the sources of income and nature of business etc. of the customer.
- (ii) **Customer Due Diligence (“CDD”)** information comprises the facts about a customer that should enable an organization to assess the extent to which the customer exposes it to a range of risks. These risks include money laundering, terrorist financing and having business relationship with sanctioned individuals/entities/countries or designated terrorists under Pakistan’s Anti-Terrorism law.
- (iii) **Money Laundering (“ML”)** is the involvement of any transaction or series of transactions seeking to conceal or disguise the nature or source of proceeds derived from illegal activities, including narcotics trade, human trafficking, terrorism, ransom, extortion money, bribery smuggling organized crime, fraud, and other such crimes.
- (iv) **Financing Terrorism (“TF”)** refers to activities that provide financing or financial support to individual terrorist organizations or non-state actors, who can be helpful, in the promotion of unlawful activities.
- (v) **Customer** means any natural person, legal person or legal arrangement to whom financial services has been extended by a regulated person. They include individuals, PEPS, Corporate entities (Listed or unlisted, partnerships, trusts, Charitable organizations etc.

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- (vi) **Beneficial Owner** in relation to a customer of the Company means, the natural person who ultimately owns or control a customer or the natural person on whose behalf a transaction is being conducted and includes the person who exercise ultimate effective control over a person or a legal arrangement. It means the Beneficial Owner, holds the ownership & control prongs.
- (vii) **Legal Persons** mean entities other than natural persons whether incorporated or not or a legal arrangement that can establish a permanent customer relationship with a regulated person or otherwise own property and include companies, bodies corporate, foundations, Limited Liability partnership (LLP), partnerships, or associations Trusts, Charitable Organizations and other relevantly similar entities.
- (viii) **FMU** means Financial Monitoring Unit established under section 6 of the AML Act, 2010.
- (ix) **Regulated person** means securities brokers, commodities brokers, Insurers, Takaful Operators, NBFCs and Modarabas, and the additional individual professional bodies or business, who are added to the list of RPs from time to time.

2. Scope & Objectives of ABM Securities (Pvt) Limited's Anti-Money Laundering/Counter Financing of Terrorism Policy and Procedures

An effective Anti-Money Laundering and Countering the Financing of Terrorism("AML/CFT") regime requires financial institutions to adopt and effectively implement appropriate ML and TF control processes and procedures, not only as a principle of Good Governance but also as an essential tool to avoid involvement in ML and TF and ensuring compliance. 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, Guidelines on SECP AML/CFT Regulations issued by SECP in September 2018 and April 2020, And Pakistan National Risk Assessment (PNRA) Report on Money Laundering and Terrorist Financing issued in September 2019:

- Comply with all AML/CFT Rules & Regulations of the jurisdictions it operates in;
- Appointment of a Compliance Officer who shall ensure adherence to the ABM's AML/CFT Policy and Procedures; and compliance
- Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which ABM or its employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activities;
- Require all Employees to attend anti-money laundering training sessions and share the relevant knowledge, so that all such employees, are aware of their responsibilities under its policies and procedures; and as affected by current developments with respect to anti-money laundering events. They should be conscious of their responsibilities and act as, lines of defense.

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2.1 Program and Systems to prevent ML and TF:

- (i) The Company will establish and maintain programs and systems to prevent, detect and report ML/TF, if detected or there is potential of wrong doing. The systems will be appropriate to the size and nature of its business of the Company and the ML/TF risks to which it is exposed and will include:
 - (a) Adequate systems to identify and assess ML/TF risks relating to persons, countries and activities which should include checks against all applicable sanctions lists;
 - (b) Policies and procedures to undertake a Risk Based Approach (“RBA”);
 - (c) Internal policies, procedures and controls to combat ML/TF, including appropriate risk management arrangements,
 - (d) Customer KYC, Due Diligence measures, EDD, etc.
 - (e) Record keeping procedures;
 - (f) Group-wide AML/CFT programs;
 - (g) An audit function to test the AML/CFT system, the compliance of regulations
 - (h) Screening procedures to ensure high standards when hiring employees; and
 - (i) An appropriate employee-training program, participation in webinar, workshop, etc and sharing of acquired knowledge.
- (ii) It will be the responsibility of the Senior Management to ensure that appropriate systems are in place to prevent, detect and report ML/TF and the Company is in compliance with the applicable legislative and regulatory obligations.

3. What is Money Laundering?

Money laundering involves the placement of illegally obtained money, into legitimate financial systems so that monetary proceeds derived from criminal activities are transformed into funds with an apparently legal source.

Money laundering has many destructive consequences, both for society as a whole and for those entities involved in money laundering activities and image and credibility of the country, With respect to society as whole. Money laundering may provide resources for drug dealers, terrorists and other criminals to operate and expand their criminal activities, which ultimately works to promote corruption, imbalanced society, deprivation, theft of national resources and bad name to the country and its negative consequences through implementation of FATF law.

4. Anti-Money Laundering Compliance Officer

The ABM has appointed a dedicated Compliance Officer, to oversee the Compliance functions,

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who will be reporting to the Board of Directors of the ABM Securities (Pvt) Limited from time to time or if as and when he detects any incident, which requires immediate reporting. Every Employee be make aware of such wrong doing and shall immediately report the Compliance Officer, if he/she suspects or has any reason to suspect that any potentially suspicious activity, by any client, has occurred or can occur, when the transaction is completed.

Employees are advised to seek the assistance/ guidance of the Compliance Officer with any questions or concerns they may have with respect to the ABM's AML/CFT Policy & Procedures.

Responsibilities of the Compliance Officer include the following:

- Dealing with emails received from SECP Foreign office Punjab provincial Govt, etc, regarding addition/deletion of the proscribed persons maintain the data base, over the monitoring through the software, responding to such emails keeping their record etc.
- Review of Account Opening Forms and sign off from Compliance of AML/CFT perspective
- Coordination and monitoring of ABM's day-to-day compliance with applicable Anti- Money Laundering Laws and Regulations and ABM's own AML/CFT Policy and Procedures;
- Ensure that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors and are effectively implemented.
- Providing assistance in compliance to other departments and branches, of the office, if any.
- Timely submission of accurate data/returns as required under the applicable laws, monitoring and timely reporting of Suspicious and Currency Transactions to FMU, if any.
- Over seeing communication and training for employee's, regular audit of the AML/CFT program, and responding to requests for information by the SECP/FMU/Law enforcement agencies, promptly.
- The CO will also ensure to maintain AML records accordingly.

5. Anti-Money Laundering Employee Training Program

As part of the ABM's anti-money laundering program, all employees are expected to be fully aware of the ABM's AML/CFT policy and procedures.

Each Employee is required to read and comply with this Compliance policy and procedures, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands ABM's AML/CFT policy and procedures. Compliance Officer or the dedicated employee will attend all such awareness sessions or training sessions, arranged by SECP, PSX, etc. The knowledge so acquired, will be shared, at length, with all other colleagues. ABM Securities will arrange training program within the office for AML/TF at-least once in a year.

Three Lines of Defense

- (i) The Company will promote self-assessment culture at every level, making each function primarily accountable for its domain of responsibilities rather than dwelling on Compliance, Risk

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Management and Internal Audit to identify non-compliances, including ML/TF related non-compliance, in their reviews. To promote this Company will enforce three lines of defense concept;

- (a) **First Line:** Although each unit will act as first line of defense for its own activities, the business units (e.g. front office, customer-facing staff/traders) and Operations department in particular will ensure in-depth knowledge of AML/CFT related requirements and will carry out the AML/CFT due diligence policies and procedures and be allotted sufficient resources and training to do this effectively; Finance will ensure that payment are received/paid through crossed cheques from the customer, as per company's Policy. The Foreign currency remittance, the country from where it is coming, will be reported to CO. Big cash receipt will be generally accepted unless it has valid proof to support it and will reported, as policy.
 - (b) **Second Line:** This includes Compliance Department, Risk Management Department, Finance Department, Human Resources Department and Information Technology. These support functions will provide support for AML/CFT related compliances in the capacity of Company's second line of defense whereby, Finance will screen payments and ensure that cheques are received and paid to the customer only within defined threshold, Human Resource will perform adequate screening of each employee and ensure their timely trainings as per training schedule, Compliance will review fulfillment of all KYC related requirements at the time of on-boarding of customers/employees, review account closing and fund transfer processes at specified intervals, review of ongoing monitoring activities, provide support for continuous staff trainings, raising STRs and coordinating with all departments and regulatory bodies.
 - (c) **Third Line:** The Internal Audit function along with Board Audit Committee will act as the Company's final line of defense, which will ensure that first two lines of defense are performing their duties, including AML/CFT related compliances, as per Company's established policies and procedures, and these policies and procedures are aligned with country's regulatory framework.
- (ii) In order to enable all employees in discharging their duties as first line of defense, policies and procedures will be clearly specified in writing and communicated to all employees. These will contain a clear description for employees of their obligations and instructions as well as guidance on how to keep the activities of the Company in compliance with the Regulations. These include internal procedures for detecting, monitoring and reporting suspicious transactions.
 - (iii) As part of second line of defense, the CO must have the authority and ability to oversee the effectiveness of the Company's AML/CFT systems, compliance with applicable AML/CFT legislation and provide guidance in day to-day operations of the AML/CFT policies and procedures.

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- (iv) CO must be a person who is fit and proper to assume the role and who:
 - (a) has sufficient skills and experience to develop and maintain systems and controls (including documented policies and procedures);
 - (b) reports directly and periodically to the Board on AML/CFT systems and controls;
 - (c) has sufficient resources, including time and support staff;
 - (d) has access to all information necessary to perform the AML/CFT compliance function;
 - (e) ensures regular audits of the AML/CFT program;
 - (f) maintains various logs, as necessary, which should include logs with respect to declined business, politically exposed person (“PEPs”), and requests from Commission, FMU and Law Enforcement Agencies (“LEAs”) particularly in relation to investigations; and
 - (g) responds promptly to requests for information by the SECP/LEAs.
 - (h) maintains confidentiality of affairs unless under duty to disclose to competent authority by operation of any law.
- (v) An independent Internal Audit function, the third line of defense, should periodically conduct AML/CFT audits on an Institution-wide basis and be proactive in following up their findings and recommendations. As a general rule, the processes used in auditing should be consistent with internal audit’s broader audit mandate as approved by the Board, subject to any prescribed auditing requirements applicable to AML/CFT measures.

6. Client Identification Procedures

6.1. General

ABM Securities’ AML/CFT policy and procedures are intended to ensure that due care will be exercised at the time of opening of the account and all the required identification details will be obtained and verified, which will include, also knowledge of the financial capacity of the prospective clients. It will be preferred that the new customer comes with the reference of either some existing client or some other trust worthy person. Prior to accepting funds from Clients, all reasonable and practical measures are taken to confirm the Clients' identities.

ABM will conduct NADRA’s E-verisys verification biometric verification of all related with the account etc, or can have credible/eligible 3rd party verification or EDD, may take assistance from the bank or other financial institutions for completing client identification process and bank verification will be mandatory.

These Client Identification Procedures are based on the premise that the ABM will accept funds from a new and existing Client only after:

- ABM Securities has confirmed the Client's identity and that the Client is acting as a principal and not for the benefit of any third party.

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As a reference tool, an Individual Client KYC Checklist is used. Employees are encouraged to provide the Compliance Officer with any revisions they consider appropriate. The Compliance Officer shall ensure that all documents are reviewed or checklists completed in Every Customer shall be identified for establishing business relationship. For this purpose, investors need to fill out the Standardized Account Opening Form and provide necessary documentary evidence supporting their identity, Authorized Person/Beneficial owners identity and their sources of income.

Though ABM Securities (Pvt) Ltd will get relevant documents, like tax-returns, copy of salary slip, copy of pension book, rental agreements, dividend income, etc, but it may employ income estimation techniques like Electricity/gas bills, copies of Children's school fee vouchers ,copy of paid insurance premium, copy of paid lease rental

6.2. Client Identification Procedures for Natural Persons

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

- Full name as per Identity document of the Applicant.
- Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification.
- Residential Status, Nationality, Country of Residence.
- Details of Employer/Business.
- CNIC/NICOP/SNIC/POC/Passport Number.
- Existing Mailing and Permanent address.
- Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number
- and Email address.
- NTN and STN number.
- Nature and Type of Account.
- Details of Bank Account and its verification from the Bank.
- Details of Investor Account maintaining with CDC and Details of Sub Account maintaining
- with other Broker(s), if any
- Source of Income, Gross Annual Income, Sources of Fund for Stock Market, Expected
- value of Investment.
- Knowledge of stock Market and Investment experience.
- Normal or expected mode of transaction.
- Similarly, relevant details of the nominee, will be taken too.

Joint Accounts: In case of Joint account, the customer due diligence measures on all of the joint account holders shall be performed as if each of them were individual customers of the ABM Securities.

In order to confirm the identity of the Client, copies of the following documents will be obtained and retained for ABM's record:

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- Duly filled and signed Account Opening Form (AOF) by Title and Joint Account Holder(s).
- Bank Verification on AOF from the bank where Title Account Holder is maintaining a bank account.
- Physical presence of Title and Joint Account Holder(s) at ABM Office along with valid original ID document.
- Attested Copies of valid ID document of Title and Joint Account Holder(s).
- Local Mobile Number and/or email address.
- Copy of Zakat Declaration (CZ-50) duly attested by notary public as per the prescribed format for Zakat exemption (Optional).
- For Non-Muslims, written request for Zakat non-applicability.
- Copy of NTN certificate, if NTN is provided in AOF.
- Copy of NICOP for non-resident Pakistanis.
- Bank statement or utility bill; or other residential information; if found necessary. Proof of Employment/ Business

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

Attested copies of ID document of Authorized person.

- CNIC/NICOP/Passport number.
- Contact Details and email address.
- Specimen Signature of the person so authorized.

The authorized person is only allowed to issue instructions, for buy or sale of securities on behalf of client and all payments or receipts, of funds must be made to or from the client's own accounts only, through crossed cheques, in the customer's name.

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

ABM Securities shall take reasonable steps to ascertain satisfactory evidence of an entity Client's name and address, its authority to make the contemplated investment.

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

- Full name as per Identity document.
- Email, website and contact numbers.
- Registered and mailing address.
- NTN number and Sales Tax number.
- Details of Contact Person and authorized person to operate the account.
- Nature and Type of Account

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- Details of Bank Account.
- Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s) if any
- Financial and general information including Investment experience, expected value of investment, recent change in ownership of the company, customer type, etc.
- Normal or expected mode of transaction.

ABM Securities will obtain the following documents, as appropriate under the circumstances:

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

6.4. Approval

The account will only be processed for account opening after it has been authorized by Compliance officer and in case of High risk customer, by the senior management of ABM Securities.

Further the company recognizes that new products, practices and technologies, like software developments, etc, will be used, in the office, especially in the Back Office, shall be adopted, as an ongoing process.

6.5. Verification Of Identity

The ABM Securities shall verify identities of customers (Natural or Artificial persons) from NCS database and retain on record copies of all reference documents used for identification and verification. "The company will maintain a list of all such customers/accounts where the business relationship was refused or needed to be closed on account of negative verification.

6.5. (a) ABM Securities, will identify and verify the identity of the customers, and understand the nature of their business, and its ownership and controls structure.

6.5. (b) The Purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is twofold: firstly; to prevent the unlawful use of legal person 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 secondly to take appropriate steps to mitigate the risks.

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6.5. (c) For any reason to believe that an applicant has been refused facilities by another Securities Broker, due to concerns over illicit activities of the customer, it should consider classifying that applicant:

- As higher risk and apply enhanced due diligence procedures to the customer and the relationship;
- Filing an STR and /or not accepting the customer in accordance with its own risk assessments and procedures.

6.5. (d) ABM Securities will accept either accept attested copies of the documents for identifying customer verified, or by seeing originals, during establishment of business relationship.

- Identification of customers that are not physically present.

6.5. (e) Verification of customer identity with non-documentary evidence is mandatory in the following situations:

- When the customer is unable to present an unexpired/valid identification card with a photograph or other biometric safeguard; or
- When the documents the customer presents for identification verification, are unfamiliar or unusual to the Company; or
- When the customer and the Company do not have face-to-face contact; and
- When other circumstances increase the risk that the Company will be unable to verify the identity of the customer through documentary means.

6.5. (f) Under the above circumstances, the Company will use the following non-documentary methods of verifying identity:

- Contact the customer after the account has been opened (although the Company cannot rely solely on customer contract as a means, for verification);
- Obtain financial statements from the customer (in case of a corporate customers);
- Compare information obtained from customer with information available from a trust worthy third party source.
- Check references with other financial institutions i.e. bank statements or verification; and any other non-documentary means deemed appropriate in the situation.

6.6. Timing of Verification

Verification of the identity of the customers shall be completed before business relations are established or at the time and manner allowed in the AML/CFT Regulations including verification of Universal Identification Number (UIN) from National clearing company of Pakistan limited (NCCPL) database.

6.7. Payment Mechanism

The ABM Securities shall accept from the account Holder(s) payment through "A /C Payee Only" crossed cheque, bank drafts, pay orders or other crossed banking instruments. In case of cash amounts, in excess of Rs. 25,000/=, it will be reported to PSX. Electronic transfer/online transfer of funds to the ABM Securities, through banks would be regarded as good as cheque and necessary bank's credit

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advice, duly stamped will be taken. The ABM shall be responsible to provide the receipt to the Account Holder(s) in the name of Account Holder(s) duly signed by authorized agents / employee and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The ABM shall immediately deposit in its bank accounts all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional Circumstances, where it becomes necessary for the ABM Securities, to accept cash in excess of Rs. 25,000/=, the ABM shall immediately report within one business day such instances with

Rationale, thereof to the Stock Exchange in accordance with the mechanism prescribed by the Exchange.

The ABM Securities shall make all the payments of Rs. 25,000/- and above to clients, through crossed cheques / bank drafts / pay orders online transfer or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years. It will be preferred to make all payments to clients, through crossed cheques. But in a very exceptional circumstances, payment less than 25000/ can be made, to the clients, by taking approval from the top management.

ABM Securities, may accept initial deposit at the time of submission of necessary documents by its , prospective customers, subject to the following:

1. Initial deposit receipt will be issued after completing necessary due diligence including NCCPL verification.
2. The account numbers will be generated (NCCPL Client code and CDC Sub account number). ABM Securities, to obtain signatures of concerned Account Holders / authorized signatories as acknowledgement, on the Posted Registration Detail Report generated from CDS.
3. The initial deposit will be credited to the customer's account only.
4. In case, the business relationship needed to be closed due to unsatisfactory due diligence, the ABM shall guide the customers, to visit the office to get refund of initial deposit through cheque.

6.8. Account Shall Not be Opened

Where CDD Measures are not completed

In case the ABM Securities has not satisfactorily completed required CDD measures, receipt of necessary documents account shall not be opened or any service provided and consideration shall be given if

the circumstances are suspicious, so as to warrant the filing of an STR.

Anonymous or Fictitious Account:

ABM shall not open or maintain anonymous account or accounts in the name of fictitious persons.

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Government Accounts:

Government Account shall not be opened in the personal names of the government officials.

Proscribed Individuals/Entities:

ABM shall not provide services to Proscribed Individuals, Groups and Entities declared/ listed by UNSC (United Nations Security Council) and/ or by OFAC (Office of Foreign Asset Control -USA) OR those who are known for their association with such entities and persons, or others proscribed through competent authorities whether under the proscribed name or with a different name.

7. Risk Profiling Of Customers

All relationships shall be categorized with respect to their risk levels i.e.

High

Medium

Low

based on the risk profiling of customer (through KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

The approval for opening of PEP and Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Business Head) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. However, it will remain preferable, not to open such accounts.

Customer KYC / CDD profile will be reviewed and/or updated on the basis of predefined frequency, in accordance with the risk profile of the customer, as per procedure defined in operational Manual. However, it will remain preferable, not to open such accounts.

- a. High Risk at least once in a year or one-off*
- b. Medium Risk at least once in 2 years or one-off*
- c. Low risk at least once in 3 Years or one-off*

*In case of any material change in the relationship or deviation from customer profile, CDD will be conducted and customer profile will be updated immediately without lapse of above defined period.

The Company will not prefer to open such accounts.

Risk Assessment and Applying a Risk Based Approach ("RBA"):

- (i) The RBA enables the Company to ensure that AML/CFT measures are commensurate to the risks identified and allow resources to be allocated in the most efficient ways. RBA is applied keeping into

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consideration the Company's size, geographical coverage, structure and business activities e.g. daily system-based sanction screening. As a part of the RBA, The Company:

- (a) Identify ML/TF risks relevant to it;
 - (b) Assess ML/TF risks in relation to-
 - a Its customers (including beneficial owners);
 - b Country or Geographic area in which its customers reside or operate and where the Company operates;
 - c Products, Services and Transactions that the Company offers; and
 - d Their Delivery Channels.
 - (c) Design and implement Policies, Controls and Procedures that are approved by its Board to manage and mitigate the ML/TF risks identified and assessed;
 - (d) Monitor and evaluate the implementation of mitigating controls and improve systems where necessary;
 - (e) Keep its risk assessments current through ongoing reviews and, when necessary, updates;
 - (f) Implement and monitor procedures and updates to the RBA; and
 - (g) Have appropriate mechanisms to provide risk assessment information to the Commission.
- (ii) Under the RBA, the following mechanism will be applied:
- (a) where there are higher risks, the Company takes enhanced measures to manage and mitigate those risks; and
 - (b) correspondingly, where the risks are lower, simplified measures are permitted. However, simplified measures are not permitted whenever there is a suspicion of ML/TF.
 - (c) In the case of some very high-risk situations or situations which are outside the Company's risk tolerance, the Company may decide not to take or accept the customer, or to exit from the relationship. CO in such cases will consider need to raise an STR to FMU.
- (iii) In view of the fact that the nature of the TF differs from that of ML, the risk assessment must also include an analysis of the vulnerabilities of TF. Many of the CFT measures the Company has in place will overlap with its AML measures. These may cover, for example:
- (a) risk assessment;
 - (b) CDD checks;
 - (c) transaction monitoring;
 - (d) escalation of suspicions; and
 - (e) liaison relationships with the authorities.
- (iv) The process of ML/TF risk assessment has four stages:
- (a) Identifying the area of the business operations susceptible to ML/TF;
 - (b) Conducting an analysis in order to assess the likelihood and impact of ML/TF;
 - (c) Managing the risks;

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- (d) Regular monitoring and review of those risks; and
- (e) Identification, Assessment and Understanding Risks.

- (v) **The first step** in assessing ML/TF risk is to identify the risk categories, i.e. Customers, Countries or Geographical locations, Products and Services, Transactions and Delivery Channels that are specific to the Company.
- (vi) **In the second stage**, the ML/TF risks that can be encountered by the Company need to be assessed, analyzed as a combination of the likelihood that the risks will occur and the impact of cost or damages if the risks occur. This impact can consist of the followings:
 - (a) financial loss to the Company from the crime admonitory penalties from regulatory authorities or the process of enhanced mitigation measures.
 - (b) Reputational damages to the business or the entity itself.

The analysis of certain risk categories, their combination and the conclusion on the total risk level must be based on the relevant information available.

- (vii) For the analysis, the Company will 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:
 - (a) High, if it can occur several times per year;
 - (b) Medium if it can occur once per year; and
 - (c) Low if it is unlikely, but possible.
- (viii) In assessing the impact, the Company will, for instance, look at the financial damage by the crime itself or from regulatory sanctions or reputational damages that can be caused. The impact can vary from minor if that are only in short-term or there are low-cost consequences, to very major, when they are found to be very costly inducing long-term consequences that affect the proper functioning of the institution.

The following is an example of a likelihood scale with 3 risk ratings as an example.

Likelihood Scale			
Consequence Scale	Low	Moderate	High
Almost Certain	Moderate	Moderate	High
Possible	Moderate	Moderate	High

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Unlikely	Low	Moderate	Moderate
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- (ix) Company will allow for the different situations that currently arise in its business or are likely to arise in the near future. For instance, risk assessment should consider the impact of new products, services or customer types, as well as new technology. In addition, ML/TF risks will often operate together and represent higher risks in combination. Potential ways to assess risk include but are not limited to:
- (a) How likely an event is;
 - (b) Consequence of that event;
 - (c) Vulnerability, threat and impact;
 - (d) The effect of uncertainty on an event;
- (x). The assessment of risk will be informed, logical and clearly recorded. Further, the risk assessment should indicate how the Company arrived at this rating.

Risk Assessment Mechanism:

(i) Risk Assessment (lower complexity):

The Company will assess risk by only considering the likelihood of ML/TF activity. This assessment will involve considering each risk factor that have been identified, combined with business experience and information published by the Commission and international organizations such as the FATF. The likelihood rating will correspond to:

- (a) Unlikely - There is a small chance of ML/TF occurring in this area of the business;
- (b) Possible - There is a moderate chance of ML/TF occurring in this area of the business;
- (c) Almost Certain - There is a high chance of ML/TF occurring in this area of the business

(ii) Risk Assessment (moderate complexity):

- (a) Another way to determine the level of risk is to work out how likely the risk is going to happen and cross-reference that with the consequence of that risk.
- (b) Using likelihood ratings and consequence ratings can provide the Company with a more comprehensive understanding of the risk and a robust framework to help arrive at a final risk rating. These ratings, in combination with structured professional opinion and experience, will assist the Company in applying the appropriate risk management measures as detailed in the program.
- (c) Cross-referencing possible with moderate risk results in a final inherent risk rating of moderate. The program should then address this moderate risk with appropriate control measures. Company will need to undertake this exercise with each of the identified risks.

(iii) Risk Assessment (higher complexity)

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- (a) The Company will further assess risk likelihood in terms of threat and vulnerability.
- (b) Determining the impact of ML/TF activity can be challenging but to focus AML/CFT resources in a more effective and targeted manner. When determining impact, Company can consider a number of factors, including:
 - a. Nature and size of your business (domestic and international);
 - b. Economic impact and financial repercussions;
 - c. Potential financial and reputational consequences;
 - d. Terrorism-related impacts;
 - e. Wider criminal activity and social harm; 6) Political impact;
 - f. Negative media.
- (c) The Company will more weight to certain factors to provide a more enhanced understanding of your ML/TF risk.
- (d) In addition, Company may consider how its risks can compound across the various risk factors.

(iv) Applying the Risk Assessment:

The risk assessment will assist in ranking and prioritizing risks and providing a framework to manage those risks. The risk assessment will enable the Company to prepare a comprehensive program. It will enable to meet relevant obligations under the regulations, including obligations to conduct CDD, monitor accounts and activities and report suspicious activity.

The assessment will help in determining suspicion and consequently assist in the decision to submit an STR to the FMU. The Company will submit an STR to the FMU if it thinks that activities or transactions are suspicious.

The Company will conduct ongoing CDD. The risk assessment will help target and prioritize the resources needed for ongoing CDD.

The Company will undertake account monitoring. The risk assessment will help to design the triggers, red flags and scenarios that can form part of account monitoring.

(a) New and Developing Technologies and Products:

New and developing technologies and products can present unknown ML/TF risks and vulnerabilities. In addition, new methods of delivery may be able to bypass existing AML/CFT measures to allow anonymity and disguise beneficial ownership. The risk assessment will consider whether the business is, or may be, exposed to customers involved in new and developing technologies and products. The program will detail the procedures, policies and controls that the Company will implement for this type of customer and technology.

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(b) Material Changes and Risk Assessment:

The risk assessment will adapt when there is a material change in the nature and purpose of the business or relationship with a customer. A material change could present an increase, or decrease, in ML/TF risk.

Material change could include circumstances where the Company introduces new products or services or have customers (or their beneficial owner) based in new jurisdictions. Material change can include when the Company starts using new methods of delivering services or have new corporate or organizational structures. It could result from deciding to outsource CDD functions or changing your processes for dealing with PEPs. In these circumstances, the Company will need to refresh its risk assessment.

- (v) The Compliance resources are accordingly allocated to the areas with higher Inherent Risk to bring the Residual Risk within tolerable band. This risk assessment is an ongoing process and is reviewed on an annual basis to factor in new and emerging risks due to business dynamics and changes in regulatory framework. This include changes in risk levels as new products are offered, as new markets are entered, as high-risk customers open or close accounts, or as the products, services, policies, and procedures change. The Company also have appropriate mechanisms to provide risk assessment information to the Commission, if required. This is done through a specially designed document which is provided as Annexure 1 to these policy and procedures.

(vi) Risk Classification Factors:

Below are some examples that can be helpful indicators of risk factors / indicators that may be considered while assessing the ML/TF risks for different risk categories relating to types of customers, countries or geographic areas, and particular products, services, transactions or delivery channels. However, this list is not exhaustive and staff should use critical thinking in determining risk of ML/TF.

(a) High-Risk Classification Factors:

- a. **The Customer risk factors:** Risk factors that may be relevant when considering the risk associated with a customer or a customer's beneficial owner's business include:
 - i. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the Company and the customer):
 - ii. Non-resident customers;
 - iii. Politically Exposed Persons (PEPs);
 - iv. Legal persons or arrangements;
 - v. Companies that have nominee shareholders;
 - vi. Business that is cash-intensive;

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- vii. 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;
- viii. shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions (i) trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets;
- ix. Requested/Applied quantum of business does not match with the profile/particulars of client;
- x. Not-For-Profit organization ("NPOs") with association with political parties or religious groups;
- xi. Real Estate Dealers;
- xii. Dealers in precious metal and stones, and
- xiii. Designated Non-Financial Business and Professionals (DNFBPs) such as Lawyers/notaries, accountants.

Porous Borders

- (i) Our country has a long, about 2000 miles porous border, which adds to its vulnerabilities of smuggling, corruption at border points and movement of the person involved in such activities.
- (ii) Pakistan has a big Afghan diaspora of about 3 million people, which adds to the risk of drug & arms trafficking and using the local infra-structure and facilities. It requires to keep a special watch on the clients or would be clients, residing or operating in border areas, KPK & Baluchistan, etc.
- (iii) There is a known reality that donations/charities are given very generously. Learning from reported incidents in the press, it was noted that some of the donors or entities were using it, for illegal purposes. It requires to pre-empt this risk and to remain vigilant, not to enter into any relationship on this count.
- (iv) There is cultural reality of possession of gold, which is a widely non-documented segment. It may provide opportunities to corrupt, smugglers, wrong-doers to park their illicit money in this asset class. So it requires to cross cheque that any interest of would be client, belonging to this category would be cross checked.
- (v) Having a large cash based economy, the relationship with clients will largely be through bank transaction only. However in some unavoidable or small instances, it may be done and reported, if required.

Scenarios of Customer Types

- i. **Small and Medium Sized Enterprises:**

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Small and medium business enterprise customers usually entail domestic companies with simple ownership structures. Most of these businesses deal with cash and multiple persons that can act on its behalf. The likelihood that funds deposited are from an illegitimate source is HIGH, since it can't easily be identified and can have a major impact on a large number of SME customers. Thus, the risk assessment and risk rating result is HIGH.

ii. International Corporations:

International corporate customers have complex ownership structures with foreign beneficial ownership (often). Although there are only a few of those customers, it is often the case that most are located in offshore locations. The likelihood of Money Laundering is High because of the limited number of customers of this type and the beneficial ownership could be questionable, with two criteria that in this scenario result in a possible risk impact of moderate and a moderate risk assessment.

As an example, these descriptions can result in a table as depicted below:

Customer Type	Likelihood	Impact	Risk Analysis
Retail Customer/ Sole Proprietor	Moderate	Moderate	Moderate
High Net Worth Individuals	High	High	High
NGO/NPO	High	High	High
International Corporation	High	Moderate	Moderate
PEP	High	High	High
Company Listed on Stock Exchange	Low	Low	Low

Note: The above risk analysis is a general one for types or categories of customers. It is the starting point for the risk classification of an individual customer. Based on the circumstances of an individual customer, such as its background or information provided, the risk classification of an individual customer can be adjusted. Based on that individual risk classification, customer due diligence measures should be applied.

b. Country or geographic risk factors:

Country or geographical risk may arise because of the location of a customer, the origin of a destination of transactions of the customer, but also because of the business activities of the Company itself, its location and the location of its geographical units. Country or geographical risk, combined with other risk categories, provides useful information on potential exposure to ML/TF. The factors that may indicate a high risk are as follow:

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- i. 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;
- ii. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations;
- ii. Countries identified by credible sources as having significant levels of corruption or other criminal activity (d) Countries or geographic areas identified by credible sources as providing funds or support for terrorist activities, or that have designated terrorist organizations operating within their country;
- iii. Entities and individuals from jurisdictions which are known tax heavens;
- iv. Countries which are hostile to national interest of Pakistan or with which diplomatic relations are suspended

7.1. High-Risk Clients

The Compliance Officer will provide and will continuously update a list of the types of Clients that ABM Securities considers to be of 'high risk,' such that enhanced due diligence procedures are warranted compared to the routine Client Identification Procedures.

Following are the examples of clients who pose a high money laundering risk:

- 1. Non-resident customers;
- 2. Legal persons or arrangements including non-governmental organizations; (NGOs)/ not-for-profit organizations (NPOs) and trusts / charities;
- 3. Customers belonging to countries where CDD/KYC and anti money laundering regulations are, lax or if funds originate or go to those countries;
- 4. Customers whose business or activities present a higher risk of money laundering, such As, frequently cash based business;
- 5. Customers with links to offshore tax havens;
- 6. High net worth customers with no clearly identifiable source of income, high net worth clients are the ones, who have share/cash over Rs. 5 millions.
- 7. There is reason to believe that the customer has been refused brokerage services by another brokerage house;
- 8. Non-face-to face / on-line customers;
- 9. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations;
- 10. all the accounts of customers residing/belonging to such countries, which have been mentioned, as high risk countries by FATF or as notified by Federal Government, shall be opened, by refereeing to that list and shall obtain all pre-emptive steps”.

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11. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations; Countries identified by credible sources as having significant levels of corruption or other criminal activity; and
12. 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. Clients residing or doing business, in the border areas, within the country or Afghan diaspora, KPK, Baluchistan, Southern Punjab, etc.

RISK MATRIX

ABM Securities 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:

- in Low Risk category;
- Those that carry somewhat higher risk, but still acceptable risk; and
- Those that carry a high or unacceptable risk of money laundering and terrorism financing.

RISK MITIGATION AND CONTROLS MEASURES

The Securities Broker shall consider the following Risk Mitigation Measures:

Determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by particular customers;

Setting transaction limits for higher-risk Customers such as:

Individual customers	Rs. 5 million net of Sale and Purchase, in a month, for a particular date. However, on the basis of past record the staff can make transactions if cash and shares are available in such accounts.
Corporate customers	Rs. 25 million net of Sale and Purchase for a particular date
Foreigner Individual	\$ 1 million net of Sale and Purchase for a particular day
Foreigner Corporate	\$ 5 million net of Sale and Purchase for a particular day

- Requiring senior management approval (CEO/Director/COO) for higher-risk transactions, including those involving PEPs;
- Determining the circumstances under which they may refuse to take on or terminate/cease high risk customers;
- Determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customers such as PEPs).

ENHANCED DUE DILIGENCE (EDD)

ABM Securities shall be required to perform Enhanced Due Diligence for the following High risk customers and transactions:

- Persons or transactions involving a country identified as higher risk by FATF

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- Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
- Clients residing or doing business, in border areas.
- Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment.

ABM Securities, shall apply enhanced CDD measures for high risk business relationships which include:

- Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- Updating more regularly the identification data of applicant/customer and beneficial owner;
- Obtaining additional information on the intended nature of the business relationship;
- Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- Obtaining additional information on the reasons for intended or performed transactions;
- Obtaining the approval of senior management to commence or continue the business relationship; and 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.

Following factors should be considered to identify persons or transactions from the high risk countries/territories

- Publicly available information;
- Sanctions list issued by the UN;
- FATF high risk and non-cooperative jurisdictions;
- FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index;

ABM Securities (Pvt) Ltd will do, monitoring of the clients and will act, if something new is noticed or red-flags raised. But it will conduct, in house exercise, once in a month and shall keep a record of its customers if there is net purchase of shares, over Rs. 5.00 Million, in that month.

Politically Exposed Persons (PEPs)

These generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials; senior executives of State Corporations and their family members and close associates. The above definition is not intended to cover middle ranking / junior officials in above noted categories. However, prudence requires brokers to be careful while dealing with such customers.

Categories of PEPs

PEPs are classified at a high level in the following categories:

1. Foreign PEPs

Individuals who are, or have been entrusted with prominent public function by a foreign country, for example heads of state or government, senior politicians, senior government, judicial or military officials.

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2. 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.

3. 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 e.g. directors, deputy directors, and members of the board or equivalent functions.

4. Family Members

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

5. Close Associates

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

In assessing the ML/TF risk of a PEP, following factors should be considered:

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

Measures to establish source of wealth and source of funds of PEP

Following additional red flags should be considered for PEP:

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

ABM Securities 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:

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

Approval by senior management (CEO/Director/COO) shall be sought before establishing business relationships with PEPs. Additionally, where appropriate, a STR shall be filed.

General

The concerned employee will verify the information at the time new accounts are opened, if possible, but in most situations not later than five business days after opening.

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Customer's identity shall be verified through documentary evidence, non-documentary evidence, or both. In light of the increased instances of identity fraud, verification may be supplemented with the use of non-documentary evidences as well. In verifying customer identity, any logical inconsistencies in the information obtained shall also be taken into account.

If the true identity of the customer is still in question the customer shall be notified the same and additional information to verify the customer's identity will be requested. Same case shall be forwarded to Compliance Officer.

COMPLIANCE CHECK

The Compliance Officer shall check the account opening forms along with all annexure before allowing the Customer to start Business Relation with the GSPL;

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 of the same;

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

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

INTERNAL AUDIT PROCESS

Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis and also, in the light of PNRA Report.

In case of discrepancies/non-compliances observed during audit process, the findings and along with recommendations shall be communicated to the top management.

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

7.2. Enhanced Client Identification Procedures for 'High-Risk' Natural Persons

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

- Assessing the Client's business reputation.
- Considering the source of the Client's wealth:
- Reviewing generally available public information.
- Persons or transactions involving a country identified as higher risk by FATF
- Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and

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- Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment

ABM Securities shall apply enhanced CDD measures for high risk business relationships which include:

- Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- Updating more regularly the identification data of applicant/customer and beneficial owner;
- Obtaining additional information on the intended nature of the business relationship;
- Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- Obtaining additional information on the reasons for intended or performed transactions;
- Obtaining the approval of senior management to commence or continue the business relationship; and 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.

Following factors should be considered to identify persons or transactions from the high risk countries/territories

- Publicly available information;
- Sanctions list issued by the UN;
- FATF high risk and non-cooperative jurisdictions;
- FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index

Useful websites include:

FATF website: www.fatf-gafi.org ; and

Transparency International website: www.transparency.org

Unusual large and complex transactions and all unusual patterns of transactions that have no apparent economic or lawful purpose should be examined and conduct enhanced CDD Measures consistent with the risk identified.

Enhanced CDD measures should be taken for following type of suspicious accounts:

- The Customer instructs not to issue any correspondence to the accountholder's address; hold Mail" accounts; and where the evidence of identity of the account holder is not already in the file.

EDD measures include but are not limited to the following-

Obtain approval from senior management (CEO/Director/COO) to establish or continue business relations with such customers;

- Establish, by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds, as appropriate including regulated person' own assessment to this effect; and Conduct during the course of business relations, enhanced monitoring of business relations with the customer

7.3. Enhanced Client Identification Procedures for 'High-Risk' Corporations, Partnerships, Trusts and Other legal Entities

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

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- a. Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- b. Reviewing recent changes in the ownership or senior management of the Client;
- c. Conducting a visit to the Client's place of business and conducting a face-to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- d. Reviewing generally available public information.

7.4. Simplified Due Diligence (SDD)

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

SDD measures shall include:

- Decreasing the frequency of customer identification updates;
- Reducing the degree of on-going monitoring and scrutinizing transactions based on a reasonable monetary threshold; and

SDD measures should not be considered in following situations:

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

8. General Reporting Procedures

- The Compliance Officer on behalf of the organization is nominated to receive disclosures under this regulation.
- Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to the Compliance Officer;
- Where a disclosure is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is available to ABM and determine whether it gives rise to suspicion: and
- Where the Compliance Officer determines in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority after obtaining an independent legal advice.

9. Other Offences - Failure to Report Offences

- Failure by an individual in the Company, to inform the Regulatory Authority or the ABM Securities' Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering;

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- Failure by Compliance Officers in the regulated sector to make the required report to Regulatory Authority as soon as practicable, if an internal report leads them to know or suspect that a person is engaged in money laundering.

10. Client Records Retention

Copies of all documents related to ABM Securities' Client Identification Procedures will be retained for an appropriate period of time and, at a minimum, the period of time required by applicable law or regulation.

The documents ABM Securities, retains are copies of documents reviewed in connection with Client Identification Procedures or enhanced due diligence procedures, Client identification checklists, if any, or similar due diligence documentation, and any other documents required to be retained by applicable anti-money laundering legislation.

ABM Securities will retain documents for so long as a Client is a client of ABM Securities and for a minimum of five years after this relationship ends.

ABM Securities shall, however, retain those records for longer period where transactions, customers or accounts involved litigation or it is required by court or other competent Authority.

ABM Securities, shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including Law enforcement agencies and FMU for supply of information and records as per law.

11. Review of Existing Client Base and Detection of Suspicious Activity

The ABM Securities shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk but without compromise on identity and verification requirements.

The Compliance Officer will identify suspicious transactions for identification of patterns of unusual size, volume, pattern or type of transactions etc. Transactions including deposits and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction for that customer.

Such transactions shall be reported to the Compliance Officer or his or her designee who will be responsible for monitoring, and will document when and how it is carried out, and will report suspicious activities to the appropriate authorities.

AML Compliance Officer will conduct an appropriate investigation before filing such report to the FMU keeping in mind that investigation shall not be in the manner that may be categorized as tipping-off to the customer

The Compliance Officer shall coordinate a periodic review of the ABM Securities' existing clients and ensure the adequacy of due diligence performed on existing clients. In addition, ABM Securities

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policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious or not.

ABM Securities requires any employee, who detects suspicious activity or has reason to believe that suspicious activity is taking place immediately to inform his or her immediate supervisor as well as the Compliance Officer.

Under no circumstances may an Employee discuss the suspicious activity, or the fact that it has been referred to the Compliance Officer, with the client concerned (Required by Law).

The Compliance Officer shall determine in consultation with the higher management whether to report to appropriate law enforcement officials (i.e. FMU-Financial Monitoring Unit) any suspicious activity of which he becomes aware within 7 working days of knowing the suspicious activity (Required by Law).

12.1. Where CDD Measures are not completed

If the CDD of an existing customer is found unsatisfactory, the relationship should be treated as High Risk and reporting of suspicious transaction be considered as per law and circumstances of the case.

For existing customers who opened accounts with old CNICs or old account opening form, the ABM Securities shall ensure that same shall be present in ABM Securities' records. The ABM Securities may INACTIVATE the accounts without CNIC and account opening form (after serving one-month prior notice) until the subject regulatory requirement is fulfilled.

On-going due Diligence

Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. In order to guard against misuse of ABM Securities' channel against criminal transactions, one needs to be vigilant at all the times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the customer's profile, risk category, historical pattern of the transactions and their historic funding source.

12.2. Recognizing & Reporting of STRs (Suspicious Transactions)

STRs include detailed information about transactions that are or appear to be suspicious in terms of AML Act 2010. ABM Securities (Pvt) Ltd. shall comply with the provisions of AML Act, rules and regulations issued there under for reporting of suspicious transactions in the context of money laundering or financing of terrorism.

In pursuance to the above, the compliance officer should review and monitor the transactions of customer's accounts on an ongoing basis in accordance to the policy.

While reviewing transactions, the compliance officer should pay special attention to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

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The transactions, which are out of character or inconsistent with the history, pattern, or normal operation of the account including through heavy deposits, withdrawals and transfers, etc should be viewed with the suspicion, and be properly investigated. "The regulated person will report the CTRs, for the transaction of Rs. 2.00 million and above, as per requirements of AML (GOAML).

If Compliance officer decides to report any transaction/ account to the FMU as "Suspicious" based on the justifiable grounds, the same should be reported to FMU under intimation to the CEO/ Chairman of the board.

All the employees of ABM Securities (Pvt) Ltd. are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

12.3 Cash Transactions (CTR)

*. Where cash transactions are being proposed by Customers, and such requests are not in accordance with the customer's known reasonable practice, the ABM Securities will need to approach such situations with caution and make further relevant enquiries.

* Where the ABM Securities has been unable to satisfy that any cash transaction is reasonable, and therefore should be considered as suspicious. It is also obligated to file Currency Transaction Report (CTR), for a cash-based transaction involving payment, receipt, or transfer of Rs. **2 million** and above.

*. If the ABM Securities decides that a disclosure should be made, the law requires the ABM 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>.

Reporting to Commission and FMU:

* ABM Securities is required to report total number of STRs filed to the Commission on biannual basis within seven days of close of each half year.

* Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:

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- * the date of the report;
 - * the person who made the report;
 - * the person(s) to whom the report was forwarded; and
 - * reference by which supporting evidence is identifiable.
- * Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), the ABM Securities shall consider filing a STR.
- * Where an attempted transaction gives rise to knowledge or suspicion of ML/TF, the ABM Securities shall report attempted transaction to the FMU.
- * Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity The ABM Securities shall ensure that appropriate action is taken to adequately mitigate its risk being used for criminal activities.

13. Registration Details Update

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

i. Contact Details Update

For change of contact details i.e. contact number, local mobile number, email address etc. duly signed letter or Updation Form or by an email sent through registered email address is required as per the operating instructions. However,

ii. Zakat Status Update

To update Zakat status as Zakat non-payable, letter or Updation Form along with notarized copy of Zakat Declaration is required.

iii. Dividend Mandate Update

Dividend Mandate i.e. bank details for receiving dividend warrant directly into bank account is added/updated after getting IBAN number.

iv. NTN Update

NTN is updated either upon receiving duly signed letter/Updation Form or by an email sent through registered email address.

v. Signature Update

Physical presence is required along with original CNIC to update the record.

14. Account Closing

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Duly filled and signed Account Closing Request / Form from customer. Further account will be closed after approval from NCCPL.

15. Employees Due Diligence & Screening

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

Employee reference must be non-blood relatives and preferred to be from the employees of past employers.

16. New Products, Practices And Technologies

ABM Securities (Pvt) Ltd shall also follow the methodology for Internal Risk Assessment as required by PNRA Report. The concepts as defined by PNRA report, i.e. threat, vulnerabilities, inherent risk, consequences and likelihood of ML/TF and remedial measures / controls will be taken into consideration. In light of the said Risk Assessment issue, ABM is cognizant that our country faces the following ground realities, which requires more alertness on this count.

The vulnerabilities will be assessed by considering the products and services offered, the customers, the geographical reach and delivery channels available.

17. Regular Review/Audit of the Manual

A regular review of the program should be undertaken to ensure that it is functioning as designed. Such a review could be performed by internal resources.

If and when regulations are amended concerning reporting of suspicious activities, ABM will amend this AML/CFT Policy & Procedures to comply with those regulations.

18. Red Flags Indicators for Individuals

The following are some of the warning signs or “Red Flags” for ABM Securities (Pvt) Limited should be alerted. Details are as follow:

1. Clients who are unknown to ABM Securities (Pvt) Limited and verification of identity proves difficult.
2. Clients who wish to deal on a large scale but are completely unknown to the ABM Securities (Pvt) Limited.
3. Clients who wish to invest or settle using cash.
4. Clients who use a cheque that has been drawn on an account other than their own.

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5. Clients who change the settlement details at the last moment.
6. Clients who insist on entering into financial commitments that appear to be considerably beyond their means.
7. Clients who accept relatively uneconomic terms, when with a little effort they could have a much better deal.
8. Clients who have no obvious reason for using the services of the ABM Securities (Pvt) Limited for example, clients with distant addresses who could find the same service nearer their home base or clients whose requirements are not in the normal pattern of the service provider's business which could be more easily serviced elsewhere.
9. Clients who refuse to explain why they wish to make an investment that has no obvious purpose.
10. Clients who are introduced by an overseas agent based in country noted for drug trafficking or distribution.
11. Clients trades frequently, selling at a loss.
12. Clients who constantly pay-in or deposit cash to cover requests for bankers drafts, money transfers other negotiable and readily marketable money instruments.
13. Clients who wish to maintain a number of trustee or clients' accounts which do not appear consistent with the type of business, including transactions which involve nominee names.
14. Any transaction involving an undisclosed party.
15. Transfer of the benefit of an asset to an apparently unrelated third party, or assignment of such benefit as collateral.
16. Significant variation in the pattern of investment without reasonable or acceptable explanation.
17. Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring or reporting thresholds.
18. Transactions which involves microcap stocks.
19. Clients 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.
20. Transfers are made to the same person from different individuals or to different person from the same individual with no reasonable explanation.
21. Unusually large aggregate wire transfers or high volume or frequency of transactions are make with no logical or apparent reason.
22. Clients invest in securities suddenly in large volumes, deviating from previous transactional activity.
23. Clients conduct mirror trades. Customer closes securities transaction before maturity, absent volatile market conditions or other logical or apparent reason.

Red Flags Indicators for Misuse of Legal Persons

ABM Securities (Pvt) Limited is required to take appropriate measures to prevent the misuse of legal persons for Money Laundering/Terrorism Financing. Further, Immediate Outcome-5 also states that an

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effective system should be in place with effective measures to prevent legal persons from being used for criminal purposes. In Pakistan, following are the different types of legal persons that can be formed under various laws:

1. Companies formed under the Companies Act 2017, namely:
 - o Single Member Limited Companies
 - o Private companies.
 - o Public companies (also referred to as listed companies).
 - o Public interest companies.
 - o Public sector companies.
 - o Companies limited by guarantee (s 2 (19)).
 - o Foreign companies (registered under Part 12 of the Companies Act).
 - o Associations (formed as charities and not for profit companies) under s 42.
2. Limited Liability partnerships (LLPs) formed under the Limited Liability Partnership Act 2017 and defined under than Act as having separate legal personality (Part 2, s 3), namely:
 - o Domestic limited liability partnerships.
 - o Foreign limited liability partnerships (registered under s 2(m) and Part 10).
3. Cooperatives formed under prevailing Cooperative Societies laws at provincial level. These entities have independent legal status as legal persons upon registration.
4. Proprietorship Concerns formed by an individual, which is required to be dully declared by the individuals in their tax returns and to be registered as a proprietorship concerns in their National Tax Number (NTN) Certificate.
5. Association of Person Section 80 of Income Tax Ordinance, 2001 defines association of persons which includes a firm, a Hindu undivided family, any artificial juridical person and any body of persons formed under a foreign law but does not include a company.

To identify a suspicion that could be indicative of Money Laundering (ML) or Terrorism Financing (IF), FMU has prepared the red flags indicators that are specially intended as an aid for the reporting entities. These red flags may appear suspicious on their own; however, it may be considered that a single red flag would not be a clear indicator of potential misuse of legal person for ML / TF activity. A combination of these red flags, in addition to analysis of overall financial activity, business profile may indicate that the legal person is being potentially misused for ML/TF activity.

Customer Behavior:

1. When a legal person or its beneficial owner or any of its associate natural person or transaction is from a high risk jurisdiction in relation to which FATE has called for countermeasures or enhanced client due diligence measures or jurisdiction known to have inadequate measures to prevent money laundering and the financing of terrorism.
2. The legal person that is associated with terrorism activities or the legal person that has been declared proscribed.

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3. When any associated natural person of the legal person is proscribed for terrorism /terrorism financing related activities.
4. The legal person who is suspected to be using forged, fraudulent, or false identity documents for due diligence and record keeping purposes.
5. The employee Director/signatory/beneficial owner of the legal person is unusually concerned with the reporting threshold or AML/CFT policies.
6. Legal Person linked to negative/adverse news or crime (named in a news report on a crime committed or under Law Enforcement investigation/inquiry).
7. Legal Person or any of its associated natural person / entity found positive match while screening against UN Security Council Resolutions (UNSCRs).
8. The legal person attempts to establish business relationship but fails to provide adequate documentary proof regarding its beneficial ownership details up to the satisfaction level of Financial Institutions or DNFBPs.
9. The beneficial ownership of the legal person appears to be doubtful while establishing relationship.
10. The complex formation structure that does not commensurate with nature of business activities or where legal person fails to disclose actual beneficial owner.
11. Multiple Legal Persons have been registered at same address or having similar contact details without any plausible reason.
12. Multiple types of legal persons are established with similar name and with same beneficial ownership.
13. The legal person owned by foreign nationals or by group of companies registered at foreign jurisdiction and failed to meet the CDD/KYC requirements regarding disclosure of ultimate beneficial ownership.
14. Unable to establish relationship between the beneficial owner and authorized signatory of the company.
15. Use of influential names (government linked / high profile entities) where the link with the high-profile entity whose name has been used cannot be directly validated.
16. Legal Person is invoiced by organizations located at any offshore jurisdiction that does not have adequate money laundering laws and is known for highly secretive banking and corporate tax haven.
17. Company records consistently reflect sales at less than cost, thus putting the company into a loss position, but the company continues without reasonable explanation of the continued loss.
18. Company has a long period of inactivity following incorporation, followed by a sudden and unexplained increase in financial activities.
19. Company is registered at an address that is also listed against numerous other companies or legal arrangements, indicating the use of mailbox service.
20. Company beneficial owners, shareholders or directors are also listed as beneficial owners, shareholders or directors in multiple other companies.

Transactional Patterns:

1. Transactions that are not consistent with the usual business profile of the legal person:
 - a. Transactions that appear to be beyond means of the legal person based on its nature of business or declared business profile.

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- b. Transactions that appear to be more than the usual amount for a nature of business in which legal person is involved.
2. Frequent/multiple transaction involving entities with the same beneficial owner, which did not make economic sense.
3. The legal entity is engaged in a business that is not normally cash-intensive but appears to have substantial amounts of cash transactions.
4. Legal person deliberately avoids traditional banking service without legitimate reasons.
5. The transactions are structured to avoid reporting threshold requirements.
6. Large or frequent cash-based transactions, which do not commensurate with the stated business profile/ activities of the legal person.
7. Numerous transactions by a legal person, especially over a short period, such that the amount of each transaction is not substantial but the cumulative total of which is substantial, such transactional pattern do not commensurate with the legal person declared business profile.
8. Co-mingling of business and personal funds without any plausible reason.
9. Export / Import proceeds and other receipts and payments from/ to unrelated counterparties, which are not in-line with the legal person's business nature.
10. Round Tripping pattern of transactions that confuse the legitimate trading of business and apparently do not provide any economic benefit to the legal person.
11. High turnover of funds within a relatively short time without any plausible reason.
12. Unclear relationships between connected companies or transactional counterparties.
13. Deposit or attempt to deposit of funds via drafts / cheques issued in favor of different form of legal person but with the similar name.
14. Proceeds received from or payments sent to an unrelated foreign buyer against which no export shipments were sent, or no imports were made.
15. Proceeds received! sent against under or overvalued invoices of goods exported / imported.

Analyses of various types of crimes and their ML ratings

Assessment as to how various types of crimes and their ML threats will change the existing ratings assigned to various customer types such as the following:

- Illicit Trafficking in Narcotic Drugs and Psychotropic Substances;
- Corruption and Bribery;
- Smuggling; (Including in Relation to Customs and Excise Duties and Taxes);
- Tax Crimes (Related to Direct Taxes and Indirect Taxes);
- Illegal MVTs/Hawala/Hundi,
- Cash Smuggling;
- Terrorism, Including Terrorist Financing;
- Participation in an Organized Criminal Group and Racketeering,
- Trafficking in Human Beings and Migrant Smuggling;
- Illicit Arms Trafficking;
- Fraud and forgery; Kidnapping,

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- Illegal Restraint and Hostage-Taking;
- Robbery or Theft; Extortion;
- Insider Trading and Market Manipulation Cyber Crime Sexual Exploitation,
- Including Sexual Exploitation of Children;
- Illicit Trafficking in Stolen and Other Goods,
- Counterfeiting Currency;
- Counterfeiting and Piracy of Products;
- Murder,
- Grievous Bodily Injury;
- Environmental Crime; Piracy;

18. Policy Review Period

The policies reviewed by Board of Directors as on September 25, 2020, and the AML/CFT Policy & Procedures will be reviewed on as and when required basis.