



**ANTI-MONEY LAUNDERING/COUNTERING
FINANCING OF TERRORISM (AML/CFT)**

and

**KNOW YOUR CUSTOMER & CUSTOMER DUE
DILIGENCE (KYC/CDD) POLICY**

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Background

The Pakistan Stock Exchange Limited ("PSX"), with the approval of the Securities & Exchange Commission of Pakistan ("SECP") had issued a Notice No.KSE/N-1338 dated March 16, 2012, providing Guidelines for brokers for developing effective policies on Know Your Customer ("KYC") and Customer Due Diligence ("CDD"). These Guidelines were issued due to the enactment of Anti Money Laundering Act 2010 ("AML Act"). The scope has now been strengthened by the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("AML Regulations 2018") while being aided by guidelines on the same issued in September 2018

After the implementation of AML Regulations, 2018, PSX issued a Notice No.PSX/N-4634 dated August 10, 2018, indicating that KYC & CDD Guidelines of March 16, 2012 have been repealed with immediate effect due to promulgation of AML Regulations. Since then the SECP has also issued Guidelines on Anti-Money Laundering Countering Financing of Terrorism and Proliferation Financing in September, 2018 ("AML/CFT Guidelines") in line with international best practices.

The need for AML Act, AML Regulations and AML/CFT Guidelines arose to combat money laundering, terrorism financing and financing of other illegal criminal activities in Pakistan. In almost all the countries over the world where securities, markets and money markets are functioning, such regulations have been made pursuant to bilateral agreements among the U. N. Member Countries. Pakistan is a signatory to such agreement and is a Member of Financial Action Task Force ("FATF") and eventually enacted AML Act, mentioned above all corporate and financial institutions, including securities brokers, as regulated persons ("RPs") under the AML Regulations are required to evolve and implement AML/CFT & KYC & CDD Policy with the approval of their respective Boards of Directors.

As mentioned above, in the case of the brokerage industry, the SECP, being its Apex regulator and PSX, being the frontline regulator of the brokerage industry in Pakistan, have formulated above-referred AML/CFT Guidelines for brokers to help them in developing AML/CFT & KYC and CDD Policies and Procedures and implementing the same. Therefore, this Policy has been made by the senior management of BMA Capital Management Limited ("BMA") and has been approved by BMA's Board of Directors at its meeting held on December 12, 2018. Any changes in the AML/CFT Guidelines and regulatory requirements shall also become an integral part of this Policy, without the need to make any amendments, unless required by the law or directed by the SECP/PSX.

The specific requirements are contained in Clauses 2 to 18 of AML/CFT Guidelines. All executive directors, managers, agents, traders and other officers of BMA who are involved in the operational affairs of BMA and in particular, those introducing or accepting new customers are required to carefully read and become fully conversant with this Policy in conjunction with AML/CFT Guidelines to be considered as an integral part of this Policy and to strictly adhere to this Policy, which has been circulated to each Director and such concerned officer and employee of BMA, as a condition for continuity of his/her employment or engagement with BMA.

Goals & Objectives

The main objective of this Policy is to ensure that the products and services of BMA are not used to launder the proceeds of crimes and that all of the BMA's staff become aware of their obligations and remain vigilant for applying measures to prevent or mitigate money laundering, usage of funding/financings received from terrorism and other illegal activities and mobilization/deployment of such illegal resources and funding. The document also provides a framework to comply with applicable laws, regulatory guidelines specially related with detection and reporting of suspicious activities to the concerned authorities.

Other objectives pursued by this Policy are as follows:

- Promote a "Know Your Customer" policy as a cornerstone principle for the Brokerage firm's ethics and practices;
- Introduce a controlled environment where no business with a Customer is transacted until all essential information concerning the Customer has been obtained;
- Conduct self-assessments of compliance with AML/CFT Guidelines & KYC & CDD Policy and procedures formulated by the SECP/PSX from time to time;
- Monitor accounts and transactions on on-going basis to ensure that transactions being conducted are consistent with customer's business and risk profile, including source of funds and the actual beneficiaries of such funds;
- Risk assessment and mitigation of risk by applying Risk Based Approach as stipulated in AML Regulations;
- Conducting Enhanced Customer Due Diligence and measures to be adopted;
- Record keeping and reporting of Suspicious Transaction/Currency Transaction Reports;
- Sanction compliances as may be notified by SECP/PSX from time to time;
- Internal Controls (Audit Function, Outsourcing, Employee Screening and Training) to be adhered to by the CEO, Executive Directors and Senior Executives at BMA;
- Introducing to the employees the stages of money laundering process and their individual duties;
- Establishing a review process which will be used to identify opportunities that might be used to launder money and/or other illegal activities;
- Providing instructions regarding taking appropriate action once a suspicious activity or a money laundering activity is detected or suspected.

Adherence to this Policy is absolutely fundamental for ensuring that BMA is fully compliant with applicable AML Regulations, AML/CFT Guidelines and directives issued by the SECP/PSX from time to time.

BMA is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective AML Policy for its business.

In case of any clarification contact Compliance department at compliance@bmacapital.com.

Scope

This Policy is applicable to BMA's local as well as overseas operations (if any) including business of other Financial Institutions routed through BMA. In overseas offices (if any), BMA shall ensure compliance with the Regulations of the host country on KYC, CDD AML/CFT and also to the extent possible under the laws, rules and regulations of the host country, to ensure compliance with AML Regulations and AML/CFT Guidelines of the SECP that are not in contradiction with the laws, rules and regulations of the host country. To address the risks stemming from customers, this Policy will also be a guiding document for concerned employees towards managing the customer's risks in an effective way using the Risk Based Approach.

This Policy is not exhaustive. Therefore, where inordinate or suspicious incident occurs or situation otherwise requires, BMA's executives, managers and officers may apply further measures that be considered necessary to prevent money laundering, terrorism financing and tax evasion after conferring with the Chief Executive and in consultation with the legal counsel.

Regulatory Oversight and Compliance Risk

BMA is bound to adhere to the SECP, PSX guidelines and International Regulatory guidelines/standards as applicable to formulate its own AML/CFT& KYC/CDD Policy. The consequence of contravening the AML Regulations, AML/CFT Guidelines or failing to comply with any provision of these regulation made shall be liable to penal prosecution under Section 40 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), in addition to any penalty provided under AML Act.

Notwithstanding the statutory and regulatory penalties, increased vigilance by Management and staff will protect BMA from the following risks:

- Reputational
- Operational
- Legal
- Financial
- Prohibitory orders from PSX/SECP

Reputational Risk

The reputation of a business is usually at the core of its success. The growth and ability to attract good employees, customers and business is dependent on reputation. Even if a business is otherwise doing all the right things, if customers are permitted to undertake illegal transactions through that business, its reputation could be irreparably damaged. A strong AML/CFT& KYC/CDD Policy helps to prevent a business from being used as a vehicle for illegal activities.

Operational Risk

This is the risk of direct or indirect loss from faulty or failed internal processes, management, control and systems. In today's competitive environment, operational excellence is critical for competitive advantage. If AML/CFT& KYC/CDD Policy is faulty or poorly implemented, then operational resources are wasted, there is an increased chance of being used by criminals for illegal purposes, time and

money is then spent on legal and investigative actions and the business can be viewed as operationally unsound.

Legal Risk

If a business is used as a vehicle for illegal activity by customers, it faces the risk of fines, penalties, prohibitory orders and injunctions and even forced discontinuance of operations.

Financial risk

If a business does not adequately identify and verify customers, it may run the risk of unwittingly allowing a customer to pose as someone they are not. The consequences of this may be far reaching. If a business does not know the true identity of its customers, it will also be difficult to retrieve money that the customer owes.

Risk Assessment and Applying Risk Based Approach

BMA shall take appropriate steps to identify, assess and understand its money laundering and terrorism financing risks in relation to:-

- a) its customers;
- b) the jurisdictions or countries its customers are from or in;
- c) the jurisdictions or countries BMA has operations or dealings in; and
- d) the products, services, transactions and delivery channels of BMA

The appropriate steps shall include:

- a) documenting the BMA risk assessments;
- b) considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
- c) keeping the risk assessments up-to-date;
- d) categorizing the overall entity level risk as high or low based on the result of risk assessment; and
- e) Having appropriate mechanisms to provide its risk assessment information to the Commission.

BMA shall use a Risk Assessment Matrix (Annex-1 of AML/CFT Guidelines, which is attached to this Policy) as a method of assessing risk in order to identify the types or categories of customers that are in the low-risk category, those that carry somewhat higher, but still acceptable risk, and those that carry a high or unacceptable risk of money laundering and terrorism financing.

BMA will have to consider while assessing the ML/TF risks for different risk categories relating to types of customers, countries or geographic areas (subject to Para 3 of this Policy), and particular products, services, transactions or delivery channels.

BMA shall:

- a) develop and implement policies, procedures and controls, which are approved by its board of directors, to enable the regulated person to effectively manage and mitigate the risks that are identified in the risk assessment of ML/TF or notified to it by the Commission;

- b) monitor the implementation of those policies, procedures and controls and enhance them if necessary;
- c) perform enhanced measures where higher risks are identified, to effectively manage and mitigate those higher risks; and
- d) Have an independent audit function to test the system.

Correspondent Relationships

The following measures, in addition to the other measures as required in this policy, will be adopted and at each stage, documented at the time of forming a correspondent relationship:

- a) Assessment of the suitability of the respondent financial institution via:
 - i. gathering adequate information about the respondent financial institution to understand fully the nature of the respondent financial institution's business, including making appropriate inquiries on its management, its major business activities and the countries or jurisdictions in which it operates;
 - ii. assessing the respondent financial institution's AML/CFT controls and their adequacy and efficacy, having regard to the AML/CFT measures of the country or jurisdiction in which the respondent financial institution operates; and
 - iii. determination of the reputation of the respondent financial institution and the quality of supervision over the respondent financial institution, including whether it has been the subject of money laundering or terrorism financing investigation or regulatory action;
- b) clearly understand and document the respective AML/CFT responsibilities of the financial institution and the respondent financial institution;
- c) ensure that the respondent financial institution does not permit its accounts to be used by shell financial institutions; and
- d) assess the respondent financial institution in the context of sanctions/embargoes and Advisories about risks.

Correspondence Relationships shall only be entered into once the senior management has thoroughly assessed and approved the case

No correspondent relationship must be entered into with any financial institution located in jurisdictions that have been identified or called for by FATF for inadequate and poor AML/CFT standards or does not have adequate controls against money laundering or terrorism financing activities, is not effectively supervised by the relevant authorities or is a shell financial institution.

Key Focus Areas

- a) Customer Identification and Due Diligence
- b) Risk assessment of customer
- c) Circumstances where Enhanced Due Diligence is required
- d) On-going Due Diligence
- e) Circumstances where simplified Due Diligence can be adopted
- f) Compliance function
- g) Data retention
- h) Training and employee screening

Apart from these areas BMA also considered International best practices, recommendations from the relevant bodies such as FATF while developing this Policy.

a) Customer Identification and Due Diligence

The scope of customer identification is to determine the demographics of our customers. This would help BMA and its employees, agents and officers to protect themselves from being misled by unscrupulous and/or criminal elements.

The account opening department will ensure that all details on the account opening form are properly filled and possible verification of the details mentioned on the form is made through our customer services department. The key point is that we must not open anonymous or obviously fictitious accounts. Ascertainment of a customer identity and genuineness of his signature is most essential.

As a guiding principle, the Account Opening/ Customer Services department shall obtain documents as mentioned in Annexure -1 for verification of identity and legal structure of customers.

If a customer is acting on behalf of another person, the identity of that person should also be ascertained through Power of Attorney and details of the attorney mentioned on the AOF, in addition to the customer on whose behalf the account is opened. The account opening department will reject the form if the Power of Attorney is not submitted separately on a stamp paper duly notarized by a Notary Public and witnessed by two adult male witnesses.

In similar context, cases pertaining to Ultimate Beneficial Ownership (UBO) for both natural as well as legal persons shall be scrutinized in accordance with the requirements of Clause 6(3)a and 7 of the AML/ CFT Regulations 2018 and all necessary information/ documents will be obtained from such beneficial owner as required under the AML/ CFT Regulations 2018.

For non-individual customers (e.g. companies, pension funds, government owned entities, non-profit organizations, trusts, societies, foreign companies/organizations) additional care has to be taken to establish the ownership and control structure of such an organization and who [i.e. person(s)] actually own(s) or control(s) the organization and who manage(s) it. The customer services and the trader(s) must verify that the details of the person who represents himself as authorized signatory with powers to open and operate the brokerage account is actually authorized by the organization vide proper resolutions of the board of directors, trustees, members of working committee, etc. depending on the memorandum and articles of association, articles of

incorporation, constitution, bye-laws, rules and regulations, etc. of such organizations and the law under which such organization is constituted. Cross verification will be done by the Compliance Department.

The Compliance and Accounts Opening Department must make sure and be careful that accounts of Institutions/organizations/ corporate bodies/trusts/societies/funds, etc. are not opened in the name(s) of employee(s)/official(s).

Because of sensitive nature of public sector (government) entities and private sector, companies, trusts, societies, etc. and risk of potential conflict of interest, it is critical for BMA and its representatives to ensure that accounts of government institutions, as well as non-government institutions and organizations are not opened in the individual name(s) of any employee(s)/official(s).

Any such account, which is to be operated by an officer of a government owned entity, is to be operated by an officer of the Federal/ Provincial/Local Government in his/her official capacity, shall be opened only on production of a special resolution/authority from the concerned administrative department, duly endorsed or notified by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government. Any such account, which is to be operated by officer(s), director(s), trustee(s), etc. of a non-government owned entity, is to be operated by director(s), officer(s), trustee(s), etc., shall be opened only on production of a special resolution/authority from the board of directors, board of trustees, etc., duly endorsed by the Company Secretary and the Chairman/Chairperson, as the case may be.

When an individual or an organization/institution opens brokerage account with BMA, it is important to find out and document what does the customer intends to do. For example, are there any specific sectors or stocks that the customer does not wish to participate in? Is the customer intending to invest for short-term only or is the customer intending to invest for longer term? Will investment be only in liquid scrips or any specific nature and categories of scrips? What are the other special needs or requirements of the customer? This, along with customer's other information such as age, gender, occupation, knowledge of market, past investment experience, etc. will help BMA develop a sense of the risk taking capacity and profile of the customer and thus guide the customer in more effective manner and also protect itself from customer's complaints.

At the same time, it will also help BMA to understand whether the customer should be classified as a low risk or a high risk customer from the KYC/CDD perspective. For example, a domestic customer working in a company with regular income would be low risk category; whereas a government employee may be in a higher risk category because of the possibility of conflict of interest and on the other hand, a foreign organization having foreign currency sources may be placed in the high risk category requiring more careful identification procedure and close monitoring of account operations. Likewise, in case of local individuals and corporate clients, it is essential to determine their tax status, source of income, net worth, etc.

In the above context, the trader and customer services department should carefully determine the source of funding especially if the customer is expected to receive/ send funds in foreign currency and inform the Compliance and Risk Management department accordingly so that proper risk

category is assigned. Funds from offshore countries must only be accepted through normal banking channels and reported to the State Bank wherever is necessary.

The settlement department should ensure that all receipts/ payments above Rs.25,000/= are made through crossed-cheques, bank drafts, pay-orders or other crossed banking instruments. Where any cash is accepted from a customer in an exceptional circumstance only, it has to be immediately reported to PSX with clear reasons as to why the cash receipt was accepted by the securities broker. The settlement department should not make any payments to customers via cash or by a cheque in favor of another person or entity.

Where any payments is received by transfer of funds on-line in the bank account of BMA, the same should immediately be got verified by BMA's bankers, through transferring bank as to the identity of the remitter and the purpose of transfer of such funds.

Account opening/customer services department should ensure physical presence of the account opener/authorized representative at the time of opening a brokerage account. In case of corporate and institutional client, the presence of the authorized representatives, directors, trustees, etc., as the case may be, must be ensured. In the case of non-resident/overseas customers or customers in other cities where the BMA does not have a branch/office, more strong identity verification procedures should be applied. These include verification by a reliable third party, reference of an existing customer of the broker, confirmation from another broker with whom the customer had an account, verification of signature by a bank and cross checking of the same over the phone or other means, etc.

Furthermore, it is important when obtaining confirmations from third parties like banks, financial institutions, corporate brokerage houses, etc., in other jurisdictions, especially foreign, it must be indicated that BMA assumes that foreign jurisdiction is following the Financial Action Task Force (FATF) recommendations.

In cases where a customer and the information provided does not satisfy the requirements of the Account Opening/ Compliance Departments under the light of the applicable laws and regulations, the business relationship may be refused. In all such cases, all information made available to the Firm by the applicant along with the reason behind refusal of opening of business relationship (including supporting documents/ evidences) will be preserved and documented by the Account Opening/ Compliance Departments for regulatory as well as future references. Similar practice must be followed in case where an on-going business relationship is suspended as a result of testing positive against Schedule IV (proscribed persons). In such case, appropriate reporting shall also be ensured to the regulatory body(ies) per requirements issued by the same from time to time.

b) Risk Assessment

Risk assessment by risk management department has to be done on the basis of information obtained at the time of brokerage account opening and has to be updated from time to time on the basis of information obtained during the relationship and doing business with the customer. It should be based on customer's identity, nature of income, source of funding, location/domicile of

customer, etc. Individuals/Customers with following factors will be categorized into HIGH RISK CATEGORY:

- I. Non-resident customers;
- II. Legal persons or arrangements including non-governmental organizations; NGOs)/ not-for-profit organizations (NPOs) and trusts/charities;
- III. Customers belonging to countries where CDD/KYC and anti-money laundering regulations are lax or if funds originate from or transferred to those countries;
- IV. Customers whose business or activities present a higher risk of money laundering such as cash based business;
- V. Customers with links with individuals, organizations, companies, trusts and other entities in offshore tax havens;
- VI. High net worth customers with no clearly identifiable source of income;
- VII. There is reason to believe that the customer has been refused brokerage services by another brokerage house and if concrete information is available, the reason for such refusal should be ascertained;
- VIII. Non-face-to face / on-line customers;
- IX. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations;
- X. Politically Exposed Persons (PEPs) as defined in AML Regulations and AML/CFT Guidelines or customers holding public or high profile positions; and
- XI. Persons, businesses and arrangements pertaining to or of the nature of any of the areas/ having traits as identified as being HIGH RISK in the National Risk Assessment – 2019 (NRA) such as, but not limited to persons and businesses falling under the Designated Non-financial Businesses and Professions (DFNBP) sector.

“Politically Exposed Persons” ('PEPs'). PEP's fall under HIGH RISK CATEGORY. These generally include individuals in prominent positions such as senior politicians, members of national assemblies, provincial assemblies, senators, ministers, heads of state, influential public officials, members of local bodies, judges, senior government, judicial or military officials; senior executives of State Corporations AND their family members and close associates. These individuals present reputational risk, potential conflict of interest and possibility of mounting extra legal pressure on BMA in case of default or disputes and therefore extra caution is required when opening their brokerage account and monitoring their account activity. In all cases where a business relationship or close family members or the beneficial ownership thereof is identified as PEP, Enhanced Due Diligence (EDD) shall be carried out both for domestic as well as foreign PEPs.

The above definition is not intended to cover lower ranking/junior officials in above noted categories. However, prudence requires risk management and compliance departments to be careful while ascertaining the nature of and allocating risk levels to each prospective business relationship.

Customers/ business relationships belonging to high risk Countries/ jurisdictions as identified by either the FATF or the Federal Government from time to time shall, as a rule of thumb, be assessed with greater care and applied Enhanced Due Diligence measures to assess risks involved and to make sure that the Firm is not exposed to unnecessary risk.

In general, please note that compliance, risk management and settlement department should conduct a self-assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented by virtue of its business model, types of customers and geographical placement. If there is any doubt of the above mentioned acts then it should be reported immediately to Chief Executive for his decision in consultation with other directors and where necessary with the legal advisors.

As a rule of thumb, it shall be observed that all risk assessment be documented and at the same time, all risk ratings must be justified in writing (whether HIGH or LOW) with references to appropriate documents and the overall anatomy of each case. The bottom line is that all Departments of BMA need to work hand in hand to assess the risk of potential money laundering/terrorism financing and for implementation of the AML/CFT Regulations/ Guidelines.

c) Enhanced Due Diligence

Once a customer has been categorized as HIGH RISK by risk management department, it is necessary to have Enhanced Due Diligence (EDD) when dealing with such a customer. Activities and transactions of HIGH RISK customers should be carefully monitored and any unusual transactions should be reported in a SUSPICIOUS TRANSACTION REPORT (STR) to the SECP on biannual basis with seven days of each half year by risk management department after consulting with the senior management.

In the above context, when dealing with high-risk customers, including PEPs, senior management of BMA has to approve the opening of brokerage account. In the case of HIGH RISK CATEGORY customers, it is all the more important for BMA to determine the source of wealth and funds invested. It should be noted that this exercise of categorizing customers in LOW or HIGH RISK category applies to all customers, including existing customers, Thus, once BMA has carried out the above exercise, if an existing customer falls into the HIGH RISK CATEGORY, the above requirements for monitoring and senior management approval for continuing with the customer will also apply to such customer(s).

If the above requirements cannot be fulfilled by BMA, then BMA should not open/ continue the brokerage account of such person(s) and if considered appropriate by the senior management, file a Suspicious Transaction Report (STR) to the SECP on biannual basis with seven days of each half year. In case an existing customer falls into HIGH RISK CATEGORY and BMA is unable to fulfill the above mentioned requirements, a Suspicious Transaction Report should be filed with SECP while ensuring that the customer is not tipped-off. Thereafter, the customer's account would be closed with notice as per the terms and conditions contained in the Account Opening Form.

Similarly, brokerage account should not be opened if account opening department is unable to verify the identity of the customer /beneficial owner of the account or if it is unclear what the purpose and intention of customer is and should file an STR.

d) On-Going Due Diligence

It is important for BMA and its officers, agents and employees to realize that CDD is not a one-time exercise at the time of account opening only. In order to guard against misuse of our offices for criminal transactions risk management, settlement and compliance departments along with the agents of BMA need to be vigilant at all the times, and keep monitoring transactions of the

customers to ensure that the transactions executed in any particular account are within the understanding of BMA in terms of the customer's profile, risk category, historical pattern of the transactions and their historic funding source. For example, if a domestic individual customer orders a transaction that is significantly different from the average historical transaction size, the risk management department has to become alert and be satisfied that no suspicious reportable activity is taking place. Similarly, if a regular domestic customer, all of a sudden shows foreign sources of funds or substantial funds from local sources, this is likely to require further the investigation by the BMA.

The account opening and customer services department should keep all customer records updated and have a policy of assessing any change in customer profile on regular basis, which change should be documented and sufficient information should be obtained regarding such change. The changes need to be attached in the customer's record at BMA.

"BMA" shall obtain information and examine, as far as possible the background and purpose of all complex and unusual transactions, which have no apparent economic or visible lawful purpose and the background and purpose of these transactions shall be inquired into and findings should be documented with a view of making this information available to the relevant competent authorities when required.

"BMA" shall periodically review the adequacy of customer information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers and the review period and procedures thereof should be in consonance with this Policy as per risk based approach.

All business relations with customers shall be monitored on an ongoing basis to ensure that the transactions are consistent with the Firm's knowledge of the customer, its business and risk profile and where appropriate, the sources of funds. Further, the database of all business relationships, including beneficial owners, must be, at a predefined frequency not exceeding once every month, be tested against the database of proscribed persons and entities to ensure that no such relationship exists directly or indirectly, through ultimate control of an account. In case any such relationship is found, immediate action as per law shall be taken, including freezing the funds and assets of such proscribed entity/individual and reporting to the SECP and FMU.

Account opening forms should be completed in all respects and no blanks should be left. If any particular left blank in the printed account opening form and is filled up in ink or if there is any eraser, deletion or overwriting, the same should be authenticated with initials of the customer and BMA's authorized officer.

e) Simplified Due Diligence

The main purpose of the AML/CFT & KYC/CDD Policy is to guard BMA against its services from being used for money laundering by unscrupulous elements. In this regard:

It is acceptable for risk management department to apply simplified or reduced CDD measures in the following circumstances:

a) Risk of money laundering or terrorist financing is low

- b) Information on the identity of the customer and the beneficial owner of a customer is publicly available or is authentically verified or available from reliable sources
- c) Adequate checks and controls exist in the customer's organization.

Accordingly, following customers may be considered for simplified or reduced CDD:

- Financial institutions which are subject to requirement to combat money laundering and terrorist financing consistent with the FATF Recommendations and are supervised for compliance with those controls
- Listed Public Companies that are subject to regulatory disclosure requirements
- When opting for simplified or reduced due diligence, the FATF guidelines in this regard must be consulted by BMA. Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

f) Due Diligence via Third Parties

The Firm shall not rely on any third parties for conducting Due Diligence of its business relationships in its stead. In case such a decision is to be taken in the future, necessary changes shall be made to this policy to govern such relationships and to mitigate any risks that may entail.

g) Compliance Function

One compliance officer should be allocated with sufficient resources to ensure that proper and timely audits are completed. The compliance and risk management department should have MIS reporting capability.

The Compliance Officer shall, primarily, be responsible for:

- a) compliance with the relevant provisions of these Regulations, the AML Act, the Anti-Money Laundering Rules, 2008, the Anti-Money Laundering Regulations, 2015 and other directions and guidelines issued under the aforementioned regulations and laws, as amended from time to time;
- b) ensuring that the internal policies, procedures and controls for prevention of ML/TF are approved by the Board of Directors and are effectively implemented;
- c) monitoring, reviewing and updating AML/CFT policies and procedures;
- d) providing assistance in compliance to other departments and branches;
- e) ensuring timely submission of accurate data/ returns as required under the applicable laws;
- f) monitoring and timely reporting of Suspicious and Currency Transactions (STRs and CTRs) to the FMU; and
- g) all other responsibilities as Senior Management may deem necessary in order to ensure compliance with these regulations from time to time.

The Compliance Officer and he/she should have sufficient skills and experience to effectively perform the compliance function. He/she can be assisted by one or more skilled and trained employee, if necessary. The Compliance Officer should report to the Board of Directors of BMA and also in urgencies to the CEO.

It is the responsibility of the compliance function to ensure that KYC/CDD guidelines are being complied with as well as with other regulatory requirements. This includes maintaining record of

violations / non-compliance identified which has to be reported to the Board of Directors. Any such record has to be available for inspection by SECP and PSX as and when required.

h) Data Retention

All data relating to AML/CFT & KYC/CDD guidelines & procedures have to be maintained for a minimum of five years after the business relationship has been ended, including identity of the customer(s), account files and correspondence exchanged with the customer(s).

Training & Screening

Training of employees and agents should be conducted at least quarterly or as such earlier frequencies as may be prescribed by the SECP/PSX to ensure that they understand their duties under AML/CFT & KYC/CDD and are able to perform those duties satisfactorily.

In order to ensure, BMA's own safety, that unscrupulous elements do not become its employees/agents, Human Resources Department should have appropriate screening procedures when hiring and also on an ongoing basis for all employees to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism. This is important not just for the sake of BMA's own safety and reputation but the reputation of the Capital Market.

Any information concerning customers and their transactions shall be provided to the exchanges, Financial Monitoring Unit or the SECP, as applicable and as and when required. However, no information should be divulged to third parties, except under the orders of courts and regulatory authorities.

All requirements of AML Regulations and AML/CFT Guidelines as applicable, including the requirement to file Suspicious Transaction Reports and any other directives, circulars, guidelines issued or that may be issued in future by in this regard by Federal Government, FMU, SECP, PSX and other competent authorities and agencies shall be complied with.

All relevant laws/ regulations/ recommendations/ guidelines/ directives of relevant authorities (e.g. SECP, FATF etc.) are available separately and must be updated from time to time.

Monitoring of Suspicious Transaction / Currency Transaction Report Activities

According to AML/CFT Guidelines, a suspicious activity will be one that is inconsistent with a customer's known, legitimate activities or with the normal business for that type of account. Where a transaction is inconsistent in amount, origin, destination, or type with a customer's known, legitimate business or personal activities, the transaction must be considered unusual, and BMA should put "on enquiry". BMA should also pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

Where the enquiries conducted on such transactions do not provide a satisfactory explanation of the transaction, it may be concluded that there are grounds for suspicion requiring disclosures.

Enquiries regarding complex, unusual large transactions, and unusual patterns of transactions, their background, and their result should be properly documented, and made available to the relevant authorities upon request. Activities which should require further enquiry may be recognizable as falling into one or more of the following categories. This list is not meant to be exhaustive, but includes:

- any unusual financial activity of the customer in the context of the customer's own usual activities;
- any unusual transaction in the course of some usual financial activity;
- any unusually-linked transactions;
- any unusual method of settlement;
- any unusual or disadvantageous early redemption of an investment product;
- Any unwillingness to provide the information requested.

Where cash transactions are proposed by customers, and such requests are not in accordance with the customer's known reasonable practice, BMA will have to approach such situations with caution and make further relevant enquiries. Depending on the type of business, BMA will have to conduct the nature of its customer portfolio and BMA has set its own parameters for the identification and further investigation of cash transactions.

Where BMA has been unable to satisfy that any cash transaction is reasonable, and therefore should be considered as suspicious. BMA 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 BMA decides that a disclosure should be made, BMA should report STR without delay to the FMU. The STR prescribed reporting form downloaded from FMU website.

BMA monitors a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, geographic factors such as whether jurisdictions designated as "non-cooperative" are involved, or any of the "red flags" identified in SECP's Guidelines on AML Regulations as mentioned in Annexure A. BMA will look at transactions, including deposits and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction for that customer. BMA will report suspicious transaction reporting to Financial Monitoring Unit immediately but not later than seven working days after forming that suspicious in respect of that particular transaction was followed through or not.

Reporting Of Transactions (STRS/CTRS)

BMA shall comply with the provisions of the AML Act and rules, regulations and directives issued there under for reporting suspicious transactions/currency transactions in the context of money laundering or financing of terrorism.

BMA shall pay special attention to all complex and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions shall, as far as possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.

BMA should note that STRs, including attempted transactions, should be reported regardless of the amount of the transactions; and, the CTRs should be reported for the transactions of rupees two million and above as per requirements of AML, Act.

The basis of deciding whether an STR is being filed or not shall be documented and kept on record together with all internal findings and analysis done in relation to a suspicion irrespective of the fact that transaction is subsequently reported or not.

The employees of BMA are strictly prohibited to disclose the fact to the customer or any other quarter that a STR or related information is being or has been reported to any authority, except if required by law.

BMA without disclosing the contents of STRs, shall intimate to the SECP on bi-annual basis the number of STRs reported to FMU and the FSL shall ensure that status report (indicating No. of STRs only) shall reach the AML Department within seven days of close of each half year.

Accountabilities and Responsibilities

The Board is Responsible for:

- Ensuring that adequate systems and controls are in place to deter and recognize criminal activity, money laundering and terrorist financing.
- Seeking compliance reports including coverage of AML/CFT issues on quarterly basis and taking necessary decisions required to protect BMA from use by criminals for ML & TF activities.
- The Oversight of the adequacy of systems and controls that are in place to deter and recognize criminal activity, money laundering and terrorist financing.

Management is Responsible for:

- Ensuring that AML/CFT & KYC & CDD policy is implemented in letter and spirit.

All Employees are Responsible for:

- Remaining vigilant to the possibility of money laundering / terrorist financing through use of BMA's products and services.
- Complying with all AML/CFT & KYC/CDD policies and procedures in respect of customer identification, account monitoring, record keeping and reporting.
- Promptly reporting to CO where they have knowledge or grounds to suspect a criminal activity or where they have suspicion of money laundering or terrorist financing whether or not they are engaged in AML/CFT & LYC/CDD monitoring activities.
- Understanding BMA's Policy and Procedures on AML/CFT & KYC/CDD and to sign-off on the require Form.
- Employees who violate any of the Regulations or the BMA's AML/CFT & KYC/CDD policies and procedures will be subject to disciplinary action.

Bounding by the regulations

It should be noted that BMA is bound by the requirements of AML Act, AML Regulations and AML/CFT Guidelines and other directives or notifications that may be issued by the SECP, PSX and other competent authorities and agencies as applicable to BMA and BMA must comply with the provisions of this Act. This includes filing of suspicious Transactions Reports and complying with any directives, circulars, guidelines with regard to KYC/CDD/Anti-Money Laundering/Terrorist Financing, issued by the Federal Government.

This also means that BMA provides information concerning their customers and their transactions to SECP, PSX and FMU.

BMA always believes in conducting its affairs in accordance with the highest ethical and legal standards and hence no leniency would be shown in case of any remiss on part of any employee, officer or agent in adhering to this Policy in true letter and spirit which has become an implied term of employment.

ANNEXURE – 1

S. No.	Type of Customer	Information/ Documents to be Obtained
1	Individuals	<p>A photocopy of any one of the following valid identity documents;</p> <ul style="list-style-type: none"> (i) Computerized National Identity Card (CNIC) issued by NADRA. (ii) National Identity Card for Overseas Pakistani (NICOP) issued by NADRA. (iii) Pakistan Origin Card (POC) issued by NADRA. (iv) Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior (local currency account only). (v) Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only).
2	Sole proprietorship	<ul style="list-style-type: none"> (i) Photocopy of identity document as per Sr. No. 1 above of the proprietor. (ii) Copy of registration certificate for registered concerns. (iii) Copy of certificate or proof of membership of trade bodies etc, wherever applicable. (iv) Declaration of sole proprietorship on business letter head. (v) Account opening requisition on business letter head. (vi) Registered/ Business address.
3	Partnership	<ul style="list-style-type: none"> (i) Photocopies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories. (ii) Attested copy of 'Partnership Deed'. (iii) Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact shall be clearly mentioned on the Account Opening Form. (iv) Authority letter from all partners, in original, authorizing the person(s) to operate firm's account. (v) Registered/ Business address.
4	Limited Companies/ Corporations	<ul style="list-style-type: none"> (i) Certified copies of: <ul style="list-style-type: none"> a. Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account; b. Memorandum and Articles of Association; c. Certificate of Incorporation; d. Certificate of Commencement of Business, wherever applicable; e. List of Directors on 'Form-A/Form-B' issued under Companies Act, 2017, as applicable; and f. Form-29, wherever applicable. (ii) Photocopies of identity documents as per Sr. No. 1 above of all the directors and persons authorized to

S. No.	Type of Customer	Information/ Documents to be Obtained
5	Branch Office or Liaison Office of Foreign Companies	<p>open and operate the account;</p> <ul style="list-style-type: none"> (i) A copy of permission letter from relevant authority i.e Board of Investment. (ii) Photocopies of valid passports of all the signatories of account. (iii) List of directors on company letter head or prescribed format under relevant laws/regulations. (iv) A Letter from Principal Office of the entity authorizing the person(s) to open and operate the account. (v) Branch/Liaison office address.
6	Trust, Clubs, Societies and Associations etc.	<ul style="list-style-type: none"> (i) Certified copies of: <ul style="list-style-type: none"> a. Certificate of Registration/Instrument of Trust b. By-laws/Rules & Regulations (ii) Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account. (iii) Photocopy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body. (iv) Registered address/ Business address where applicable.
7	NGOs/NPOs/Charities	<ul style="list-style-type: none"> (i) Certified copies of: <ul style="list-style-type: none"> a. Certificate of Registration/Instrument of Trust b. By-laws/Rules & Regulations (ii) Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account. (iii) Photocopy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body. (iv) Any other documents as deemed necessary including its annual accounts/ financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customer. (v) Registered address/ Business address.
8	Agents	<ul style="list-style-type: none"> (i) Certified copy of 'Power of Attorney' or 'Agency Agreement'. (ii) Photocopy of identity document as per Sr. No. 1 above of the agent and principal. (iii) The relevant documents/papers from Sr. No. 2 to 7, if agent or the principal is not a natural person. (iv) Registered/ Business address.

S. No.	Type of Customer	Information/ Documents to be Obtained
9	Executors and Administrators	(i) Photocopy of identity document as per Sr. No. 1 above of the Executor/Administrator. (ii) A certified copy of Letter of Administration or Probate. (iii) Registered address/ Business address.

Note:

- (i) The photocopies of identity documents shall be validated through NADRA verisys.
- (ii) In case of a salaried person, in addition to CNIC, a copy of his service card or certificate or letter on letter head of the employer will be obtained.
- (iii) In case of expired CNIC, account may be opened on the basis of attested copies of NADRA receipt/token and expired CNIC subject to condition that the customer shall submit copy of the renewed CNIC once received.