
ANTI-MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM, AND PROLIFERATION FINANCING POLICY

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GENERAL INVESTMENT & SECURITIES (PVT) LIMITED
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Document Review and Approval

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COMPANY'S POLICY STATEMENT

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

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will be used later for criminal purposes. All employees are required to receive a copy of the Company's AML policy and are required to follow such policy and procedures. If an employee is caught violating any portion of the Company's AML policies and procedures, a meeting with the Compliance Officer will occur, with the employee given written warning of such violation. If the employee violates the AML policies and procedures for the second time, immediate termination will occur.

PURPOSE

The objective of this policy is to ensure that the products and services of the General Investment & Securities Pvt. Ltd. (GIS) are not used to launder the proceeds of crime and that all of the GIS's staff is aware of their duties, obligations and the need to remain vigilant in the fight against money laundering/terrorist financing. The document also provides a framework to comply with applicable laws, Regulatory guidelines specially related with detection and reporting of suspicious activities.

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 policy and procedures;
- 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;
- 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 the GIS fully complies with applicable anti-money laundering rules and regulations.

The GIS 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.

SCOPE

This policy is applicable to the GIS's local as well as overseas operations (if any) including business of other Financial Institutions routed through GIS.

In overseas offices (if any), GIS shall ensure compliance with the Regulations of the host country on KYC, CDD AML/CFT or that of the SECP whichever are more exhaustive.

Our coverage will include:

- Compliance of AML Act 2010.
- Compliance of SECP requirements on KYC, CDD AML/CFT.
- Compliance of local country legislations/ regulations on KYC, CDD AML/CFT & subsequent updates.
- FATF Recommendations
- International Standards and guidelines, including Regulatory sanctions as applicable.
- Pakistan National Risk Assessment on Money Laundering and Terrorism Financing. (2019 –update)

RESPONSIBLE PARTY:

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

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

EMPLOYEE TRAINING PROGRAM (AML / CFT)

As part of the GENERAL INVESTMENT & SECURITIES (PRIVATE) LIMITED's anti-money laundering program, all Employees are expected to be fully aware of the GENERAL INVESTMENT & SECURITIES (PRIVATE) LIMITED'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 GENERAL INVESTMENT & SECURITIES (PRIVATE) LIMITED's AML/CFT policy and procedures.

To ensure the continued adherence to GENERAL INVESTMENT & SECURITIES (PRIVATE) LIMITED's AML/CFT policy and procedures, all Employees are required to reconfirm their awareness of the contents of this document by signing the acknowledgement form annually, or more frequently, as required by the Compliance Officer.

All Employees are required;

- At a time specified by the Compliance officer, to undertake training programs on AML/CFT policy and procedures.
- To get trained in how to recognize and deal with transactions which may be related to money laundering.
- To timely escalate and report the matter to the Compliance Officer.
- To get themselves acquainted with Anti Money Laundering Rules & Regulations.
- To comply with the requirements of Rules & Regulations.

REGULATORY OVERSIGHT & COMPLIANCE RISK

GIS is bound to use SECP, PSX guidelines and International Regulatory guidelines/standards as applicable to formulate its own KYC, CDD AML/CFT Policy. The consequence of contravening the Regulations or failing to comply can be significant and include disciplinary measures, imprisonment or fine or both under local laws as well as the loss of reputation for GIS.

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

- Reputational
- Operational
- Legal
- Financial

Reputational risk: The reputation of a business is usually at the core of its success. The 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 KYC, CDD AML/CFT 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 and systems. In today's competitive environment, operational excellence is critical for competitive advantage. If KYC, CDD AML/CFT 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, 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.

CUSTOMER DUE DILIGENCE & KNOW YOUR CUSTOMER

CDD is closely associated with the fight against money-laundering. Supervisors around the world are increasingly recognizing the importance of ensuring that their financial institutions have adequate controls and procedures in place so that they know the customers with whom they are dealing. Adequate due diligence on new and existing customers is a key part of these controls. Without this due diligence, financial institutions can be exposed to reputational, operational, legal and financial risks.

It is policy of GIS that:

- Prior to establishing a relationship with a new customer, basic background information about the customer should be obtained, in particular, information related with customer's business and source/utilization of funds.
- Prior to establishing relationships with financial institutions or agents, appropriate steps must be taken to confirm the identity, integrity and due diligence procedures of those representatives or agents and, where necessary, the identities of underlying clients.
- The underlying beneficial ownership of all companies and other legal entities with which GIS conduct business must be established, including the beneficial ownership of all funds or other properties that are handled by the GIS.
- All new relationships should be filtered through automated solution for possible name matching with individuals / entities appearing on various negative lists maintained by GIS. In case of exact match, relationship should be discontinued.
- GIS shall reject the account opening application in case the applicants name is found in OFAC's (Office of Foreign Asset Control) specially designated persons or blocked person list maintained by the U.S department of the Treasury (www.treasury.gov)

Know Your Customer

The inadequacy or absence of KYC standards can subject GIS's to serious customer and counterparty risks, especially reputational, operational, Legal and concentration risks. It is worth noting that all these risks are interrelated. However, any one of them can result in significant financial cost to GIS, along with considerable management time and energy to resolving problems that arise.

Effectively devised KYC policy is the most important defense against the money launderers. While fulfilling legal requirements, the contents of regulatory requirements should be kept in view before establishing a customer/account opening relationship.

Procedures

The knowledge of the customer base and business operations will also help GIS as under:

- Detect suspicious activity in a timely manner.

- Promote compliance with all brokerage laws.
- Promote safe and sound brokerage practices.
- Minimize the risk of brokerage channels being used for illicit activities.
- Protect SE reputation & image.
- Bolster confidence among its customers, other brokerage houses, and brokerage regulators.
- Protect SE against negative legal consequences related to cooperating with entities supporting terrorism.

GIS shall conduct enhanced due diligence procedures before establishing relationships with the following High Risks Customers;

- Trusts, NGOs, NPOs, Foundations, Welfare Association, Religious Entities, Club, Societies,
- Authorized Money Exchange Cos., Controversial entity, Jewelers, Arms Dealers.
- Politically Exposed Persons (PEPs)
- Any individual or entity that has caused or has been related to a credit, operational or reputational loss to GIS.
- Accounts of foreign nationals belonging to sanctioned countries
- Walk in customers
- Non- resident customers

Any customer relationship where the customer's conduct gives the GIS reasonable cause to believe or suspect involvement with illegal activities is required to be reported to the Regulators or relevant authorities.

Furthermore The General Investment & Securities (Private) Limited shall accept from the Account Holder(s) payment through “A/C Payee Only” crossed cheque, bank drafts, pay orders or other crossed banking instruments in case of amounts in excess of Rs. 25,000/=. Electronic transfer of funds to the General Investment & Securities (Private) Limited through banks would be regarded as good as cheque.

The General Investment & Securities (Private) Limited shall make all the payments of Rs. 25,000/- and above, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years.

General Investment & Securities (Private) Limited may accept initial deposit at the time of submission of necessary documents by their prospective customers subject to the following:

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

PROCEDURES FOR DOCUMENTATION & VERIFICATION OF LOW RISK CUSTOMER

| S.No. | Type of Customer | Information/Documents to be obtained |
|----------|----------------------------|---|
| 1 | Individuals | <div>Name</div> <div>Father Name</div> <div>Address</div> <div>Telephone Number (Land Line/ Mobile)</div> <div>Copy of CNIC /NICOP/POC or Passport with valid Visa</div> <div>Source of Income</div> <div>Business/Employment proof</div> |
| 2 | Sole Proprietorship | <div>Documents mentioned in S.No.1</div> <div>Declaration of Sole Proprietorship on Business Letter Head</div> <div>Account Opening Request on Letter Head</div> <div>Copy of Registration Certificate for Registered Concerns</div> <div>Copy of Membership Certificate of Trade Bodies if Available</div> <div>Registered Business Address</div> |
| 3 | Partnership Account | <div>Name of partnership and Partners</div> <div>Documents mentioned in S.No.1 with Copies of CNICs of all Partners</div> <div>Attested Copy of Partnership Deed</div> <div>Attested Copy of Registration Certificate with Registrar of Firms.</div> <div>In case of unregistered partnership this fact clearly mentioned on</div> <div>Account opening form.</div> |

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|---|--|--|
| | | Authority Letter from all partners in original Authorizing the person(s) to operate firms account |
| | | Registered Business Address |
| 4 | Limited Companies/ Corporations | Name of Directors |
| | | Documents mentioned in S.No.1 with Copies of CNICs of all Partners |
| | | Certified Copies of |
| | | Board Resolution for opeing of Account specifying the person(s) authorized to open and operate the account |
| | | Memorandum and Articles of Association |
| | | Certificate of Incorporation |
| | | Certificate of Commencement of Business (where applicable) |
| | | List of Directors on Form (A) / Form (B) issued under companies Act 2017, |
| | | Audited Accounts of the company |
| | | Form 29 where applicable |
| 5 | Branch Office or Liaison Office of Foreign Companies | A copy of permission letter from relevant authority i-e Board of Investment |
| | | Photocopies of valid Passports of all the Signatories of account |
| | | List of Directors on company letter head or on prescribed format under relevant laws/regulations |
| | | A letter from Principle office of the entity authorizing the person(s) to open and operate the account |
| | | Branch / Liaison office address |
| 6 | Trust, Clubs, Societies and | Documents mentioned in S.No.1 with Copies of CNICs of all Trustees |
| | Associations etc | Certified Copies of |
| | | Certificate of Registration / Instruments of Trust |

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|----------|-----------------------------|---|
| | | By-Laws/ Rules & regulations |
| | | 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 |
| | | Registered Address / Business Address where Applicable |
| 7 | NGOs/NPOs/ Charities | Documents mentioned in S.No.1 with Copies of CNICs of all Trustees |
| | | Certified Copies of |
| | | Certificate of Registration / Instruments of Trust |
| | | By-Laws/ Rules & regulations |
| | | 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 |
| | | Any other document as deemed necessary including its annual accounts/ financial statements or disclosures in any form which may help to ascertain the details of its activities |
| | | Source of funds in order to assess the risk profile of prospective customer |
| | | Registered Address / Business Address where Applicable |
| 8 | Minors | Photo copy of Form (B) |
| | | Birth Certificate or Student Card (as appropriate) |
| | | Documents mentioned in S.No.1 of the guardian of the Minor |

*** All identification documents must be validated through NADRA verisys.**

**** All letter heads of business concerns must be stamped.**

Documentation for Investors who can't sign or have unsuitable signatures

Investors who cannot sign or have unstable signatures shall be required to submit two recent passport size photographs and Thumb impression on the Account Opening form attested by the Branch Manager of the Bank where the investor maintains an account.

Sending Account Statement

After opening of a new account, the Transfer Agent sends an Account Statement to the investor through a registered post/ courier on his/her postal address in order to notify the investor of their account status and to confirm the address of the investor.

Steps for Enhanced Due Diligence

Enhanced due diligence (EDD) for higher-risk customers is especially critical in understanding their anticipated transactions and implementing suspicious activity monitoring system that reduces the GIS reputation, compliance, and transaction risks.

GIS determines if a customer possess a higher risk because of the customer's business activity, ownership structure, anticipated or actual volume and types of transactions, including those transactions involving higher risk jurisdictions.

- Request for further documentation/ Information
- Review of the documents/ Information
- Approval for Account opening of the higher risk customers.

When the GIS is not able to satisfactorily complete required CDD/KYC measures, account opening applications are rejected; business relationships are not established/ terminated and business transaction are not carried out.

Account shall not open

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

MONITORING AND REPORTING OF SUSPICIOUS TRANSACTION/ACTIVITY

In case where the GIS is not able to satisfactorily complete required CDD/KYC measures, accounts are not opened; business relationships are not established/ terminated and business transaction are not carried out.

Instead reporting of suspicious transaction may be considered as outlined later in this document.

All personnel are diligent in monitoring for any unusual or suspicious transactions/activity based on the relevant criteria applicable.

Suspicious Transactions

The following are examples of potential suspicious transactions for both money laundering and terrorist financing. The lists of situations given below are intended mainly as a means of highlighting the basic ways in which money may be laundered. These lists are not all-inclusive

While each situation may not be sufficient to suggest that money laundering or a criminal activity is taking place, a combination of such situations may be indicative of such a transaction. A customer's declaration regarding the background of such transaction shall be checked for plausibility. Closer scrutiny shall help to determine whether the activity is suspicious or one for which there does not appear to be a reasonable business or legal purpose.

It is justifiable to suspect any customer who is reluctant to provide normal information and documents required routinely by the financial institutions in the course of the business relationship. The GIS will pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provide information that is difficult or expensive to verify.

- Transaction which do not make economical/Identical sense
- Transaction inconsistent with the customer's business
- Transactions involving transfers to and from abroad
- Transactions involving structuring to avoid reporting or identification requirement

Potential Indicators of Money Laundering/Terrorist Financing

The following examples of potentially suspicious activity that may involve money laundering or terrorist financing threat are primarily based on guidance note provided by the FATF in the name of "Guidance for Financial Institutions in Detecting Terrorist Financing". FATF is an intergovernmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.

- Activities inconsistent with the customer business
- Fund Transfers
- Other transactions that appears unusual or suspicious

Reporting of Suspicious Transaction

It is a Policy of GIS:

- To remain vigilant on unusual or suspicious transactions or other activities that appear not to make good business or economic sense, or activities that appear to be inconsistent with the given profile of the customer, including activities that may be indicative of criminal conduct, terrorism or corruption.
- To act competently and honestly when assessing information and circumstances that might give reasonable grounds to suspect Money Laundering (ML) or Terror Financing (TF).

- To co-operate with law enforcement authorities in investigations concerning possible ML or TF within the confines of applicable laws.
- Not to alert or provide any information to any person regarding suspicion or inquiry on his or her account or transactional activities or any indication of being reported to the Regulators.

Training

Training on anti-money laundering is provided to those new employees who work directly with customers and to those employees who work in other areas that may be exposed to money laundering and terrorist financing threats. Follow-up trainings also take place once a year.

Non Compliance with GIS's AML/CDD/CFT Policy

Failure to abide by the Policy set by GIS to prevent money laundering and terrorist financing will be treated as a disciplinary issue. Any deliberate breach will be viewed as severe misconduct. Such cases will be referred to HR for onward initiation of disciplinary action that could lead to termination of employment and could also result in criminal prosecution and imprisonment for the concerned staff member

RECORD RETENTION

According to policy of GIS:

- To retain identification and transaction documentation for the minimum period as required by applicable Laws and Regulations.
- To retain records of all suspicious activity reports made by Compliance department to Regulators for an indefinite period unless advised by the Regulator otherwise.
- To be in a position to retrieve, in a timely fashion, records that are required by law enforcement agencies as part of their investigations.

To keep records of KYC, CDD, AML/CFT training provided to the employees, nature of the training and the names of staff who received such training.

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 GIS 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/CDD/CFT 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 GIS's products and services.
- Complying with all AML/CFT 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 monitoring activities.
- Understanding SE's Policy and Procedures on AML/CDD/CFT and to sign-off on the require Form.
- Employees who violate any of the Regulations or the GIS's AML/CDD/CFT policies and procedures will be subject to disciplinary action.

Risk Assessment and Applying a Risk Based Approach

(Please refer to Annex 1 for Risk Assessment Tables)

Risk Assessment and Applying a Risk Based Approach

- GIS will develop an appropriate Risk Based Approach ('RBA') and apply the RBA on a group-wide basis, where appropriate. As a part of the RBA, GIS shall:
 - Identify ML/TF risks relevant to them;
 - Assess ML/TF risks in relation to-
 - Customers (including beneficial owners);
 - Country or geographic area in which its customers reside or operate and where the GIS operates;
 - Products, services and transactions that GIS offers; and
 - Delivery channels.
 - Design and implement policies, controls and procedures approved by its Board of Directors;
 - Monitor and evaluate the implementation of mitigating controls;
 - Keep their risk assessments current through ongoing reviews;
 - Document the RBA including implementation and monitoring procedures and updates to the RBA; and
 - Have appropriate mechanisms to provide risk assessment information to the Commission.
- Under the RBA, where there are higher risks, GIS will take enhanced measures to manage and mitigate those risks; and correspondingly, where the risks are lower, simplified measures may be taken. However, simplified measures are not taken whenever there is a suspicion of ML/TF. In the case of some very high-risk situations or situations which are outside the GIS's risk tolerance, GIS may decide not to take on the customer, or to exit from the relationship.
- 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 entities have in place will overlap with their AML measures. These may cover, for example, risk assessment, CDD checks, transaction monitoring, and escalation of suspicions and liaison relationships with the authorities. The guidance provided in these guidelines, therefore, applies to CFT as it does to AML, even where it is

not explicitly mentioned.

- The process of ML/TF risk assessment has four stages:
 - Identifying the area of the business operations susceptible to ML/TF;
 - Conducting an analysis in order to assess the likelihood and impact of ML/TF;
 - Managing the risks; and
 - Regular monitoring and review of those risks.

Identification, Assessment and Understanding Risks

- The first step in assessing ML/TF risk is to identify the risk categories, i.e. customers, countries or geographical locations, products, services, transactions and delivery channels. Depending on the specificity of the operations, other categories could be considered to identify all segments for which ML/TF risk may emerge. The significance of different risk categories may vary from institution to institution, i.e. GIS may decide that some risk categories are more important to it than others.
- In the second stage, the ML/TF risks that can be encountered by GIS need to be assessed, analyzed as a combination of the likelihood that the risks will occur and the impact of cost or damages if the risks occur. This impact can consist of financial loss to GIS from the crime, monetary penalties from regulatory authorities or the process of enhanced mitigation measures. It can also include reputational damages to the business or the entity itself. The analysis of certain risk categories and their combination is specific for each client so that the conclusion on the total risk level must be based on the relevant information available.
- For the analysis, GIS 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 high, if it can occur several times per year, moderate if it can occur two to three per year and low if it is unlikely, but not possible. In assessing the impact, GIS 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 low if there is only short-term or there are low-cost consequences, to high when there is cost inducing long-term consequences, affecting the proper functioning of the institution.
- GIS will allow for the different situations that currently arise in their 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:
 - How likely an event is;
 - Consequence of that event;
 - Vulnerability, threat and impact;
 - The effect of uncertainty on an event;
- The assessment of risk will be informed, logical and clearly recorded. For instance, if GIS has identified gatekeepers as presenting higher inherent risk in relation to the delivery of a product, the risk assessment should indicate how GIS has arrived at this rating (domestic guidance, case studies, direct experience).

Risk Assessment (lower complexity)

In line with this guidance, GIS may 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 could correspond to:

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

Risk Assessment (moderate complexity)

If GIS has identified that one of its products is vulnerable to ML/TF and GIS assesses that the likelihood of this product being used in ML/TF activity is probable and GIS will judge the impact of the identified risk happening in terms of financial loss then the consequence is assessed as moderate.

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. GIS will undertake this exercise with each of the identified risks.

Risk Assessment (higher complexity)

GIS could assess risk likelihood in terms of threat and vulnerability. If GIS consider domestic tax evasion criminals as the threat, and accounts dealing with cash payments as the vulnerability, then depending on the risk assessment method this could result in an inherent risk rating of almost certain. GIS may then assess the impact of this event on the business and the wider environment.

Determining the impact of ML/TF activity can be challenging but can also help focus AML/CFT resources in a more effective and targeted manner. When determining impact, GIS may consider a number of factors, including:

- Nature and size of business (domestic and international);
- Economic impact and financial repercussions;
- Potential financial and reputational consequences;
- Terrorism-related impacts;
- Wider criminal activity and social harm;
- Political impact;
- Negative media.

Applying the Risk Assessment

The risk assessment should help rank and prioritize risks and provide a framework to manage those risks. The assessment should help in determining suspicion and consequently assist in the decision to submit an (Suspicious Transaction Report) STR to the FMU. GIS will submit an STR to the FMU if it think activities or transactions are suspicious. For instance, RPs may consider unexpected international activity of a domestic-based customer unusual, especially if it involves a high-risk jurisdiction, and submit an STR.

GIS will conduct ongoing CDD. The risk assessment will help target and prioritize the resources needed for ongoing CDD. For instance, GIS may undertake ongoing CDD on high-risk customers on a more regular basis than on lower-risk customers.

GIS will undertake account monitoring. The risk assessment will help GIS design the triggers, red flags and scenarios that can form part of account monitoring. The activity of a high-risk customer in a high-risk jurisdiction (as identified in the risk assessment) be subject to more frequent and in-depth scrutiny.

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 shall detail the procedures, policies and controls that GIS will implement for this type of customer and technology.

Material Changes and Risk Assessment

The risk assessment should 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 GIS introduce new products or services or have customers (or their beneficial owner) based in new jurisdictions. Material change can include when GIS start 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, GIS may refresh the risk assessment.

GIS will document their risk assessment in order to be able to demonstrate their allocation of compliance resources. An effective risk assessment is an ongoing process. Risk levels may change 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. GIS will therefore update its risk assessment every 12 to 18 months to take account of these changes. GIS will also have appropriate mechanisms to provide risk assessment information to the Commission, if required.

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.

High-Risk Classification Factors

Customer risk factors:

GIS will describe all types or categories of customers that it provides business to and should make an estimate of the likelihood that these types or categories of customers will misuse the GIS for ML or TF, and the consequent impact if indeed that occurs. Risk factors that may be relevant when considering the risk associated with a customer or a customer's beneficial owner's business include:

- The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the RP and the customer).
- Non-resident customers.
- Legal persons or arrangements
- Companies that have nominee shareholders.
- Business that is cash-intensive.

- 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;
- Politically exposed persons
- shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets.
- Requested/Applied quantum of business does not match with the profile/particulars of client
- real estate dealers,
- dealers in precious metal and stones, and
- lawyers/notaries

Scenarios of Customer Types

Small and Medium Sized Enterprises:

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 be 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.

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.

These descriptions will be analyzed as per below table:

| 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 would be applied.

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.

The factors that may indicate a high risk are as follow:

- 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.
- 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.
- 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.

- Jurisdictions in which the customer and beneficial owner are based;
- Jurisdictions that are the customer's and beneficial owner's main places of business.

Product, service, transaction or delivery channel risk factors:

A comprehensive ML/TF risk assessment must take into account the potential risks arising from the products, services, and transactions that the GIS offers to its customers and the way these products and services are delivered. In identifying the risks of products, services, and transactions, the following factors should be considered:

- Anonymous transactions (which may include cash).
- Non-face-to-face business relationships or transactions.
- Payments received from unknown or un-associated third parties.
- The surrender of single premium life products or other investment-linked insurance products with a surrender value.
- International transactions, or involve high volumes of currency (or currency equivalent) transactions
- New or innovative products or services that are not provided directly by the GIS, but are provided through channels of the institution;
- Products that involve large payment or receipt in cash; and
- One-off transactions.
- To what extent is the transaction complex and does it involve multiple parties or multiple jurisdictions.
- Any introducers or intermediaries the firm might use and the nature of their relationship with the RP.
- Is the customer physically present for identification purposes? If they are not, has the firm used a reliable form of non-face-to-face CDD? Has it taken steps to prevent impersonation or identity fraud?
- Has the customer been introduced by another part of the same financial group and, if so, to what extent can the firm rely on this introduction as reassurance that the customer will not expose the firm to excessive ML/TF risk? What has the firm done to satisfy itself that the group entity applies CDD measures?

- Has the customer been introduced by a third party, for example, a Financial Institution that is

not part of the same group, and is the third party a financial institution or is its main business activity unrelated to financial service provision? What has the firm done to be satisfied that:

- The third party applies CDD measures and keeps records to standards and that it is supervised for compliance with comparable AML/CFT obligations;

Low Risk Classification Factors

Customer risk factors:

A customer that satisfies the requirements under regulation 11 (2) (a) and (b) of the SECP AML/CFT Regulations.

Product, service, transaction or delivery channel risk factors:

The product, service, transaction or delivery channel that satisfy the requirement under regulation 11(2) (c) to (g) of the SECP AML/CFT Regulations

Country risk factors:

- Countries identified by credible sources, such as mutual evaluation or detailed assessment reports, as having effective AML/CFT systems.
- Countries identified by credible sources as having a low level of corruption or other criminal activity.

In making a risk assessment, GIS will, when appropriate, also take into account possible variations in ML/TF risk between different regions or areas within a country.

Risk Matrix

In assessing the risk of money laundering and terrorism financing, GIS will establish whether all identified categories of risks pose a low, moderate, high or unacceptable risk to the business operations. GIS will review different factors, e.g., number and scope of transactions, geographical location, and nature of the business relationship. In doing so, the GIS will also review the differences in the manner in which the GIS establishes and maintains a business relationship with a customer (e.g., direct contact or non-face-to-face). The geographical risk will be seen in correlation with other risk factors in order to come up with an assessment of the total money laundering and terrorism financing risk.

GIS will use a risk matrix 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. In classifying the risk, the RPs take into account its specificities, may also define additional levels of ML/TF risk.

The development of a risk matrix may include the consideration of a wide range of risk categories, such as the products and services offered by the GIS, the customers to whom the products and services are offered, the GIS's size and organizational structure, etc.

GIS has developed their own risk matrix based on their own risk analysis as per following table:

| Customer Transaction | Intermediaries | Online Transactions | Domestic Transfers | Deposit or Investment | Life Insurance | Securities Account |
|---------------------------------|-----------------------|----------------------------|---------------------------|------------------------------|-----------------------|---------------------------|
| Domestic Retail Customer | Moderate | Moderate | Moderate | Moderate | Low | Low |
| High Net worth Customers | N/A | High | Moderate | High | N/A | Moderate |
| SME Business | High | High | Moderate | High | Moderate | Moderate |

| | | | | | | |
|---|----------|----------|----------|----------|----------|----------|
| Customer | | | | | | |
| International Corporation | Moderate | High | Moderate | High | Moderate | Moderate |
| Company Listed on Stock Exchange | Moderate | Moderate | Low | Moderate | Low | Low |
| PEP | High | High | Moderate | High | Moderate | Moderate |
| Mutual Fund Transactions | Moderate | High | Moderate | High | N/A | N/A |

Risk Management

Risk Mitigation

- GIS keep appropriate policies, procedures and controls that enable it to manage and mitigate effectively the inherent risks that they have identified, including the national risks. It will monitor the implementation of those controls and enhance those, if necessary. The policies, controls and procedures should be approved by senior management, and the measures taken to manage and mitigate the risks (whether higher or lower) must be consistent with legal and regulatory requirements.
- The nature and extent of AML/CFT controls will depend on a number of aspects, which include:
 - The nature, scale and complexity of the GIS's business
 - Diversity, including geographical diversity of the GIS's operations
 - GIS's customer, product and activity profile
 - Volume and size of transactions
 - Extent of reliance or dealing through third parties or intermediaries.
- Some of the risk mitigation measures that GIS will consider include:
 - 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 or products;
 - requiring senior management approval for higher-risk transactions, including those involving PEPs;
 - determining the circumstances under which GIS may refuse to take on or terminate/cease high risk customers/products or services;
 - Determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customers such as PEPs).

Evaluating Residual Risk and Comparing with the Risk Tolerance

- Subsequent to establishing the risk mitigation measures, GIS will evaluate their residual risk, the risk remaining after taking into consideration the risk mitigation measures and controls. Residual risks should be in line with the GIS's overall risk tolerance.
- Where the GIS finds that the level of residual risk exceeds its risk tolerance, or that its risk mitigation measures do not adequately mitigate high-risks, GIS will enhance the risk mitigation measures that are in place.

NATIONAL RISK ASSESSMENT REPORT ON MONEY LAUNDERING AND TERRORIST FINANCING – 2019

Security Exchange commission of Pakistan has prepared the “ Updated National Risk Assessment Report on Money Laundering and Terrorist Financing - 2019”, the concerned portion related to Security Brokers is attached as Annexure 5 for reference and record. Complete details about the brokers, clients and matters pertaining to ML & TF are provided in the document.

As directed by SECP, Schedule Reporting on “ Updated Internal Risk Assessment” in light of ‘National Risk Assessment 2019’ and as per attached ‘ Guidance Note Annexure 6’ covering all aspects including transnational TF risk to be submitted as and when require by SECP (Security Market Division).

Complete data would be prepared and updated on schedule basis as per following annexure and forwarded to PSX and SECP as per requirement.

Annexure 1

GENERAL INVESTMENT AND SECURITIES (PRIVATE) LIMITED
TRE Certificate Holder Pakistan Stock Exchange Limited (PSX)
Broker Registration No: 442
Registered Broker Securities & Exchange Commission of Pakistan (SECP)
Office No. 1214, 12th Floor, ISE Towers, 55-B Jinnah Avenue, Islamabad
Phone no. 051-2894947-9 Website: www.gis.com.pk
KYC RISK RATING SHEET
INDIVIDUAL
(Please use BLOCK LETTERS to fill the form)

| | | | | | |
|---|-------------------|---|-----------------------------------|--|--|
| A. IDENTITY DETAILS OF APPLICANT | | | | | |
| 1. Full name of Applicant (As per CNIC/SNIC/NICOP/ARC/POC/Passport) Mr. / Mrs. / Ms. | | | | | |
| 2. Father's / Husband's Name: | | | | | |
| 3. a. Nationality: | | b. Marital status: <input type="checkbox"/> Single <input type="checkbox"/> Married | | c. Status: <input type="checkbox"/> Resident <input type="checkbox"/> Non-Resident | |
| 4. a. CNIC/ SNIC/NICOP/ARC/POC No: | | | | | |
| b. Expiry date: | | | | | |
| 5. Passport details: <i>(For a foreigner or a non-resident Pakistani)</i> | | Passport Number: | | Place of Issue: | |
| | | Date of Issue: | | Date of Expiry: | |
| 6. Date of Birth | | | | | |
| B. ADDRESS DETAILS OF APPLICANT | | | | | |
| 1.(a) Mailing Address: <i>(Address should be different from authorized intermediary business address except for employees of authorized intermediary)</i> | | | | | |
| | | City/Town/Village: | | Province/State: | |
| | | | | Country: | |
| (b) Tel. (Off.):* | | (f) Fax*: | | (e) Email*: | |
| (b) Tel. (Res.):* | | | | (d) Mobile**: | |
| Specify the proof of address submitted for mailing address: | | | | | |
| 2. (a) Permanent Address: <i>(mandatory for all applicants- fill out if different from mailing address)</i> | | | | | |
| | | City/Town/Village: | | Province/State: | |
| | | | | Country: | |
| (b) Tel. (Off.):* | (c) Tel. (Res.):* | (d) Mobile: | | (e) Fax*: | |
| | | | | (f) Email (If any): | |
| | | | | | |
| Specify the proof of address submitted for permanent address: | | | | | |
| C. OTHER DETAILS | | | | | |
| 1. Gross Annual Income Details (please specify): <input type="checkbox"/> up to Rs. 100,000 <input type="checkbox"/> Rs. 250,001 - Rs. 500,000 <input type="checkbox"/> Rs. 1,000,001 - Rs. 2,500,000 | | | | | |
| <input type="checkbox"/> Rs. 100,001 - Rs. 250,000 <input type="checkbox"/> Rs. 500,001 - Rs. 1,000,000 <input type="checkbox"/> Above Rs 2,500,000 | | | | | |
| 2. Source of Income: | | | | | |
| 3. Shareholder's/ Unit Holder's Category: INDIVIDUAL | | | | | |
| 4. (a) Occupation: <i>[Please tick (✓) the appropriate]</i> | | <input type="checkbox"/> Agriculturist | <input type="checkbox"/> Business | <input type="checkbox"/> Housewife | <input type="checkbox"/> Household |
| | | <input type="checkbox"/> Retired Person | <input type="checkbox"/> Student | <input type="checkbox"/> Business Executive | <input type="checkbox"/> Industrialist |

| | | | | | | | | |
|--|--|--------------|--------------------------|------------------------------|--|----------------------|--|------------------|
| box] | | Professional | | Service | | Govt. /Public Sector | | Others (Specify) |
| (b) Name of Employer / Business: (Include symbol if employer listed company) | | | | (c) Job Title / Designation: | | (d) Department: | | |
| (e) Address of Employer / Business: | | | | | | | | |
| D. BANK DETAILS*** | | | | | | | | |
| Bank Name: | | | | | IBAN No.: | | | |
| E. DECLARATION | | | | | | | | |
| I hereby confirm that all the information furnished above is true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be untrue or false or misleading or misrepresenting, I am aware that I may be held liable for it. | | | | | | | | |
| Signature of the Applicant | | | Date: _____ (dd/mm/yyyy) | | Signature of the Applicant as per CNIC/SNIC/NICOP/ARC/POC/Passport No (Only applicable if Applicant signature is different) | | | |
| FOR OFFICE USE ONLY | | | | | | | | |
| _____ | | | _____ | | _____ | | | |
| Authorized Signatory | | | Date | | Seal/Stamp of the Authorized Intermediary | | | |

* Optional

**** For NICOP/ARC/POC/Passport, Email is mandatory and Mobile Number is Optional. Whereas for CNIC/SNIC, Mobile Number is Mandatory and Email is Optional. Incase of SNIC where country of stay is not Pakistan, email will be mandatory.**

***** IBAN shall be mandatory for all Customers subject to any exception available under applicable laws, rules, regulations etc.**

Terms & Conditions of the KYC Application Form:

1. All terms herein shall, unless expressly stated otherwise, have the same meaning as ascribed to them in the Centralized KYC Organization Regulations.
2. The information provided in KYC application form and/or CRF shall be in addition to and not in derogation of the requirements prescribed under Anti-Money Laundering and Countering Financing of Terrorism Regulations, 2018.
3. All correspondence shall be sent by CKO at the mailing address and/or email address of the Customer, as stated on the KYC Application Form.
4. Neither the CKO nor its directors, officers, employees or agents shall be liable for losses, damages, liabilities, costs or expenses suffered or incurred by the Customer as a result of providing its KYC Information to Authorized Intermediaries or the CKO due to any reasons whatsoever including its unauthorized disclosure.
5. The Customer undertakes to indemnify the CKO against any losses, damages, liabilities, costs or expenses suffered or incurred by CKO, including any legal costs and claims by third parties, as a result of any inaccuracy, misrepresentation, misstatement or incorrect details in the information supplied by the Customer or any omission in such information or any other contravention or violation of the Centralized KYC Organization Regulations
6. The Customer agrees that in the event that he does not abide by the timelines prescribed in the Centralized KYC Organization Regulations for submission of information and confirmation to the NCCPL, the NCCPL shall be authorized to take action as prescribed in the Centralized KYC Organization Regulations. The Customer undertakes that it shall hold CKO harmless and that CKO shall not be liable for any losses, damages, liabilities, costs or expenses suffered or incurred by the Customer as a result of such actions.
7. The Customer agrees that CKO may hold, store and process its KYC Information on the KYC Information System and KYC Database in connection with its KYC functions under the Centralized KYC Organization Regulations. The Customer also agrees that CKO may disclose its KYC Information as permitted under the CKO Regulations and such other disclosures as may be reasonably necessary for compliance with any other laws or regulatory requirements.
8. The Customer acknowledges that KYC Information System and KYC Database, including but not limited to all the information contained therein is the legal property of CKO.
9. The Authorized Intermediaries agree to pay CKO the fees and charges as prescribed by CKO from time to time in respect of its KYC functions.
10. CKO has absolute discretion to amend or supplement any of the terms and conditions at anytime and will endeavor to give prior notice of fifteen days wherever feasible for such changes.
11. The Customer agrees and affirms that it shall be bound by and acts in accordance with the provisions of the Centralized KYC Organization Regulations.
12. These terms and conditions shall be governed by the laws of Pakistan.

Signature of the Applicant

Authorized Signatory

Seal/Stamp of the Authorized Intermed

Annexure 2

GENERAL INVESTMENT and SECURITIES (Private) LIMITED

TRE Certificate Holder Pakistan Stock Exchange Limited (PSX)

Broker Registration No: 442

Registered Broker Securities & Exchange Commission of Pakistan (SECP)

Office No. 1214, 12th Floor, ISE Towers, 55-B Jinnah Avenue, Islamabad

[Phone no. 051-2894947-9](tel:051-2894947-9) [Website: www.gis.com.pk](http://www.gis.com.pk)

KYC RISK RATING SHEET INDIVIDUAL

| | | | | | | |
|-----------------------|--------------------------|-------------------|---|----------------------------------|---|--|
| Title of Account | | | Branch Name | | | Column to be filled by House by using Drop Down Menu |
| Account Number | | | Branch Code | | | |
| A: Customer Profiling | | | | | Relationship Status (Existing / New) | |
| | | | | | | |
| | | Risk Determinants | High Risk | Medium Risk | Low Risk | Select - Risk Category (HR,MR,LR) |
| Effective Risk | Customer / Business Risk | Customer Type | 1- Minor | 1- Individual (Single and Joint) | | |
| | | PEP | 1- Customer is a politically exposed person (Domestic/ Forigen) | | 1- Customer is not a politically exposed person | LR |

| | | | | | | |
|--|--|---|--|---|---|----|
| | | Customer is linked to NGO / NPO / Charities / Trusts / Clubs / Societies / Association | 1- Customer is the director / member of governing body / trustee of NGO / NPO / Charities / Trusts / Clubs / Societies / Association | | 1- Customer is not the director / member of governing body / trustee of NGO / NPO / Charities / Trusts / Clubs / Societies / Association. | LR |
| | | Occupation | 1- Self Employed / Private Business/ Real Estate Dealer/ Dealer of Precious Stones 2- Agriculturist / Landlord 3- Housewife 4- Professional / Lawyer | 1) Student 2) Unemployed | 1-House Employee 2- Retired (Pvt or Public Svrc) / Pensioner 3- Employed Private service 4- Employed Government service | LR |
| | | PSX HISTORY | 1- No prior relationship or less than 6 months relationship with any House 2-There is a reason to believe that the customer has been refused PSX Services. | 1- Existing PSX customer relationship is between 6 months to 3 years | 1- Existing PSX customer relationship is greater than 3 years 2-There is no reason to believe that the customer has been refused PSX services. | LR |
| | | Source of Funds | 1- Unclear Source of Funds or Proof of Income - High Net Worth Customer 2- Beneficial ownership of funds does not belong to customers (e.g Housewife, STUDENT, MINOR) | 1- Unclear Source of Funds or Proof of Income - Other than High Net worth | 1- Clearly identifiable source of income or proof of Income. (e.g Salaried, Registered Businesses etc) | LR |

| | | | | | | |
|--|--|----------------------------|---|--|---|----|
| | | Identify Documents | | 1- Documents Verifiable with Deferral (Such as Passports, Certificate of Incorporation / Registration etc.) 2- Identity Document (CNIC) without Photograph. | 1- Identity Documents Verifiable through NADRA (NICOP, POC, ARC, CNIC etc.) | LR |
| | | Special Customers | 1- Pardanashin | 1- Person with disability 2- Visually Impaired / Blind 3- Illiterate Person | 1- Does not fall in Special Category | LR |
| | | Contact Information | 1- Customer has not provided any contact number | 1- Customer has provided mobile number only | 1- Customer has provided Landline Number 2- Customer has provided landline and mobile number both. | MR |

| | | | | | | |
|--|---------------------------|----------------------------------|--|---|---|----|
| | Geographic / Jurisdiction | Expected Type of Counter Parties | 1- Trusts/Clubs/Associations/Societies 2- NGOs/NPOs/Charities 3- Sole Proprietor 4- Minor | 1- Individuals 2- Partnership (Registered / Unregistered) 3- Private Limited Company 4- Autonomous Bodies 5- Exchange Company | 1. Executor Administrator 2. Public Limited Company / Corporation 3. Branch Office or Liaison Office of Foreign Companies 4. Agents 5. National / Foreign Government Entities 6- Foreign Embassies and Consulates 7- Financial Institution regulated by SBP (Other than Exchange Company) 8- Non Bank Finance Company regulated by SECP (If not applicable select Low Risk) | MR |
| | | Type of Business / Profession | 1- Customer is / was linked to High Risk Businesses / Professions. (Ref FAQs in Handbook) | | 1- Customer is / was not linked to High Risk Businesses / Professions. (Ref FAQs in Handbook) (If not applicable select Low Risk) | LR |

| | | | | | | |
|--|--|------------------------------------|--|---|---|----|
| | | Location of Counter Parties | 1- High Risk Areas Within Pakistan (Refer list of high risk cities provided) 2-High Risk Areas Outside Pakistan (Ref FAQs in Handbook) | 1- Outside Pakistan (other than high risk countries) | 1- Within Pakistan (other than High Risk cities/areas) (If not applicable select Low Risk) | LR |
| | | Citizenship | 1- Citizen of High Risk Country (Refer FAQs in handbook) | 1- Foreign Citizen of other than High Risk countries | 1- Pakistani Citizen | LR |
| | | Residency Status | 1- Resident of High Risk Country (Refer FAQs in Handbook) 2-Non Resident | | 1- Resident of Pakistan | LR |
| | | Permanent Address | 1- Domestic address - High Risk Area. (Refer list of high risk areas/cities provided)2- Foreign address High Risk Country (Refer FAQs in Handbook) | 1- Foreign Address other than High risk country2. City of address other than the city where account is maintained | 1- Domestic address other than High risk areas | LR |

| | | | | | | |
|--|-----------------------|---------------------------------|---|--|--|----|
| | | Mailing Address | 1- Domestic address - High Risk Area. (Refer list of high risk areas/cities provided) 2-Foreign address High Risk Country (Refer FAQs in Handbook) | 1- Foreign Address other than High risk country 2. City of address other than the city where account is maintained | 1- Domestic address other than High risk areas | LR |
| | | Verification of Mailing Address | 1- No Documents of Mailing Address are available. 2- Hold Mail Requested by customer | 1- Mailing Address differs from CNIC and only Letter from Owner / Tenancy Agreement is available (including Shared Residence). | 1- Mailing Address differs from CNIC / Identity Document but supporting documents in the name of customer or family member available (Utility Bill etc.). 2- Mailing Address is mentioned on CNIC / Other Identity Document | LR |
| Sub Score Obtained for Effective Risk (Aggregation of Customer / Business Risk and Geography Risk) | | | | | | |
| B: Transaction Profiling | | | | | | |
| Activity Risk | Transaction Profiling | Expected Monthly Credit Amount | More than 10 Million | Between 5 million to 10 million | Less Than 5 Million | LR |
| | | Expected Monthly Debit Amount | More than 10 Million | Between 5 million to 10 million | Less Than 5 Million | LR |
| | | Expected Monthly Credit Count | More than 50 | 25 to 50 | Less than 25 | LR |

| | | | | | | |
|--|--|------------------------------|--|----------|--------------------------|----|
| | | Expected Monthly Debit Count | More than 50 | 25 to 50 | Less than 25 | LR |
| | | | | | | |
| RISK CATEGORY | DUE DILIGENCE REQUIRED | | RISK RATING (Derived from above Determinants) | | HOUSE MANAGER ASSESSMENT | |
| High Risk | Enhanced Due Diligence | | Result | | | |
| Medium Risk | Simplified Due Diligence Along with Enhanced Due Diligence For Only High Risk Determinants | | | | | |
| Low Risk | | | | | | |
| House Manager have an option to increase the Risk Rating derived from above determinants by one level on their ASSESSMENT of particular customer risk to ensure compliance of AML/CFT Regulation. <u>Rationale/Remarks: (Mandatory In Case of Change in Risk Rating):</u> | | | | | FINAL RISK RATING | |
| Name and Signature of House Manger | | | Date of Review | | | |

- Transaction volume is for new investment.

Annexure 3

ML/TF Warning Signs/ Red Flags

The following are some of the warning signs or “red flags” to which GIS will be alerted. The list is not exhaustive, but includes the following:

Brokerage Houses

- (1) Customers who are unknown to the broker and verification of identity / incorporation proves difficult;
- (2) Customers who wish to deal on a large scale but are completely unknown to the broker;
- (3) Customers who wish to invest or settle using cash;
- (4) Customers who use a cheque that has been drawn on an account other than their own;
- (5) Customers who change the settlement details at the last moment;
- (6) Customers who insist on entering into financial commitments that appear to be considerably beyond their means;
- (7) Customers who accept relatively uneconomic terms, when with a little effort they could have a much better deal;
- (8) Customers who have no obvious reason for using the services of the broker (e.g.: customers with distant addresses who could find the same service nearer their home base; customers whose requirements are not in the normal pattern of the service provider’s business which could be more easily serviced elsewhere);
- (9) Customers who refuse to explain why they wish to make an investment that has no obvious purpose;
- (10) Customers who are introduced by an overseas agent based in a country noted for drug trafficking or distribution
- (11) Customers who carry out large numbers of transactions with the same counterparty in small amounts of the same security, each purchased for cash and then sold in one transaction, particularly if the proceeds are also then credited to an account different from the original account;
- (12) Customer trades frequently, selling at a loss
- (13) Customers who constantly pay-in or deposit cash to cover requests for bankers drafts, money transfers or other negotiable and readily marketable money instruments;
- (14) Customers who wish to maintain a number of trustee or customers’ accounts which do not appear consistent with the type of business, including transactions which involve nominee names;
- (15) Any transaction involving an undisclosed party;
- (16) transfer of the benefit of an asset to an apparently unrelated third party, or assignment of such benefit as collateral; and
- (17) Significant variation in the pattern of investment without reasonable or acceptable explanation
- (18) Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring/ reporting thresholds.
- (19) Transactions involve penny/microcap stocks.
- (20) Customer requests a securities provider to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial owner), in close chronology.
- (21) Transfers are made to the same person from different individuals or to different persons from the same individual with no reasonable explanation.
- (22) Unusually large aggregate wire transfers or high volume or frequency of transactions are made with no logical or apparent reason.
- (23) Customer invests in securities suddenly in large volumes, deviating from previous transactional activity.
- (24) Customer conducts mirror trades.
- (25) Customer closes securities transaction before maturity, absent volatile market conditions or other logical or apparent reason.

Annexure 4

Proliferation Financing Warning Signs/Red Alerts

GIS will take note of the following circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities relating to both DPRK and Iran sanctions regimes:

- (a) customers and transactions associated with countries subject to sanctions;
- (b) instruments that could particularly be used to finance prohibited transactions, such as certain trade financing products and services;
- (c) customers involved with and/or transactions related to items, materials, equipment, goods and technology prohibited by UNSCRs;
- (d) reasonableness of invoiced goods against market value, inconsistency or discrepancies in trade-related documentation.

In particular, RPs should be alert to the following non-exhaustive list of factors that are relevant to the DPRK sanctions regime:

- (a) significant withdrawals or deposits of bulk cash that could potentially be used to evade targeted financial sanctions and activity-based financial prohibitions;
- (b) opening of banking accounts by DPRK diplomatic personnel, who have been limited to one account each under relevant UNSCRs (including number of bank accounts being held, holding of joint accounts with their family members);
- (c) clearing of funds, granting of export credits or guarantees to persons or entities that are associated with trading transactions relating to the DPRK;
- (d) providing insurance or re-insurance services to maritime vessels owned, controlled or operated, including through illicit means, by the DPRK or classification services to vessels which there are reasonable grounds to believe were involved in activities, or the transport of items, prohibited by UNSCRs concerning the DPRK, unless the Security Council 1718 Committee determines otherwise on a case-by-case basis;
- (e) direct or indirect supply, sale or transfer to the DPRK of any new or used vessels or providing insurance or re-insurance services to vessels owned, controlled, or operated, including through illicit means, by the DPRK, except as approved in advance by the Security Council 1718 Committee on a case-by-case basis; or
- (f) the leasing, chartering or provision of crew services to the DPRK without exception, unless the Security Council 1718 Committee approves on a case-by-case basis in advance;³⁸ or
- (g) using real property that DPRK owns or leases in Pakistan for any purpose other than diplomatic or consular activities

Annexure 5

Updated National Risk Assessment Report 2019

Securities Market (Medium High Vulnerability).

As of May 31, 2019, the securities sector had a total of 217 active Pakistan Stock Exchange brokers with Rs. 273.198 billion of assets and a total of 66 Active PMEX Pakistan Mercantile Exchange brokers with Rs. 2.243 billion of assets under their custody, as of May 31, 2019. There were 202 CIS with assets under management of Rs. 621.396 billion, 19 Pension Schemes with assets under management of Rs. 26.059 billion, three Private Equity Funds with assets under management of Rs. 6.568 billion and 25 AMCs, investment advisors & private equity companies with assets under management of Rs. 37.166 billion. Thus, the securities market sector holds about 1.48% of the total assets held by financial market sector in Pakistan.

| Category | No. |
|--|-----|
| Independent securities broker-dealer (independent brokerage firms) – large | 4 |
| Independent securities broker-dealer (independent brokerage firms) – medium/small | 192 |
| Securities brokerage subsidiary of large commercial banks | 4 |
| Securities brokerage subsidiary of medium/small commercial banks | 4 |
| Securities brokerage subsidiary of subsidiary of medium/small Financial Groups other than Banks | 13 |
| Large registered investment companies (mutual funds, closed-end funds, unit investment trusts, and private investment funds) (Mutual Funds, Plans and VPS of value Rs. 50 million and above) | 313 |
| Medium/small registered investment companies (mutual funds, closed-end funds, unit investment, trusts, and private investment funds) (Mutual Funds, Plans and VPS of value Below 50 million) | 20 |
| Large investment/financial advisors (Investment Advisors managing portfolios above Rs. 50 million) | 19 |
| Medium/small investment/financial advisors (Investment Advisors managing portfolios below Rs. 50 million) | 1 |
| Commodities futures and option broker – dealers, commodity trading advisors, futures commission merchant, futures pool operator – large | 12 |
| Commodities futures and option broker – dealers, commodity trading advisors, futures commission merchant, futures pool operator – medium/small | 54 |

Products and Services

There are only four active products currently offered in the Securities Market sector, such as Ready Market, Deliverable Futures Contract, Margin Trading System and Margin Financing. However, that does not prevent it from being used for potential ML/TF purposes. Equity market products could be used to layer or integrate the proceeds of crime, or to transfer value to terrorists, and are therefore vulnerable for ML/TF activities. Currently, there are 558 companies listed on the Pakistan Stock Exchange with a Market Capitalization of Rs. 9,386 billion. Products and services may be categorized based on general characteristics and the degree of ML/TF risk associated with utilization of new payment methods, delivery channels and jurisdiction/geographic locations of customers.

Case studies of product of Securities Market Sector- Ready Market Trade

Individuals, both local and foreign investors, corporate and other entities, including government-owned entities generally trade in the ready market of securities market. For this purpose investors/clients placed their funds with the brokers. The investors can transfer their funds by using online banking and transfer of funds through ATMs. The brokers generate their commission income based on the number of trades executed by them and commission is one source of income of the brokerage house. High net worth individuals (HNWI) and corporate entities normally

trade in large volume in bulk quantity and most frequent trading. Major trades are executed through online trading. 72% of total market trades (ready and future) consist of ready market out of which about 53% pertains to online trading. It has been observed that investors especially HNWI are reluctant in providing evidence regarding source of their income relating to funds deposited by them with the brokers. Most of the corporate entities. Including private limited companies, partnership companies and sole proprietorship entities, normally do not prepare accounts and financial statements.

Large amounts of money collected from investors in the securities market cannot be completely verified due to constraints in the system.

Customers

PEPs

The securities sector is inherently vulnerable to ML/TF from the 1,562 identified PEPs. Since almost all the payments/receipts in this sector are routed through the banking channels, the proceeds of corruption can be routed through banking channels for investment/placement in the securities sector. Securities brokers not allowed to accept cash of more than Rs 25,000 from any customer, and cash accepted by the securities brokers constitutes less than 0.05% of total market settlement.

High Net worth Individuals

There are 5134 High Net Worth customers investing in the securities sector out of around 154,000 customers. These customers may have generated their wealth from multiple sources and regulated persons may not have enough information to identify and verify all sources of funds. The possibility of source of fund resulting from any predicate offence of ML is very likely making the securities sector inherently vulnerable for ML/TF.

Foreign Clients

There are 7,320 non-resident individual customers in Securities out of around 154,000 customers. It is unknown how much money is invested in Pakistani capital markets by these non-residents. However, due to the significant possibility that large amounts of Pakistani criminal proceeds are laundered abroad, it also seems likely that final integration could occur by bringing back such proceeds and investing them in Pakistani assets, including through capital markets. The capital market has a significant portion of foreign investments also due to its high volatility and large returns. The regulator as well as brokers have a difficult task to ensure legitimacy of the sources. In view of this, the inherent vulnerability to ML/TF in the securities sector from the foreign clients is assessed as Medium-High.

Geography

99% of branches of securities brokers are centered in Karachi, Islamabad and Lahore. Further, no broker has any branch out of Pakistan. Out of total active and inactive customers following is the region wise distribution of customers i.e. 7199 in KPK, 209 in FATA, 75,649 in Punjab, 109,320 in Sindh, 1454 in Balochistan, 7554 in Islamabad, 112 in Gilgit/Baltistan and 823 in Azad Jammu & Kashmir. Branches alongside porous borders/in different provinces or business through agents/distributors belonging to porous borders pose high vulnerability for ML/TF. The border of Balochistan and KPK has porous borders with Afghanistan and Iran, therefore are highly exposed to geographical vulnerability. These borders are used for smuggling, cash movement, illegal business and border crossing. Customers from high-risk jurisdictions may seek a business relationship with any security broker to potentially use the sector for facilitation in their motives of ML/TF. Customers from jurisdictions identified as high risk by FATF or securities brokers pose higher ML/TF risk for the sector.

Delivery channels

As in any country, delivery channels can increase ML risk in the securities market based on the use of wire transfers, online payment transaction, and payment through debit/credit cards, and Internet-based payment systems. There were 432,531 wire transfers amounting to Rs. 356 billion, equal to 9% of the total market settlement, from June 01, 2018 to May 31, 2019, whereas, cash accepted by the securities brokers are less than 0.05% of the total market settlement. The remaining settlement was performed through other **banking channels**.

Annexure 6

Guidance Note

1. Latest data or data as at June 30, 2019 may be used for the assessment.
2. Analysis of ML/TF Threat and vulnerability should be done specifically mentioning Transnational Risk in light of NRA 2019.
3. Data to be considered only in respect of incremental aspects e.g.
 - a. Customers categories (e.g. Afghans diaspora) located in High Risk Areas/Jurisdiction (e-g porous borders) identified in NRA 2019
 - b. Branches/Agents located in High Risk Jurisdiction and areas as identified in NRA 2019
4. How various types of crimes and their ML ratings will change your existing ratings assigned to various customer types such as;
 - a. importer/exporters in view of high risk rating for the smuggling crime,
 - b. Legal persons, NPOs and DNFBPs etc. in light of the updated risk rating assigned to these in NRA etc.
5. Share the narrative on various threats and vulnerabilities in light of NRA 2019 that impact your Entity and assign risk rating with respect to following parameters;
 - a. Customers
 - b. Products
 - c. Delivery Channels
 - d. Geography
6. The subjective analysis must reflect the statistical data.
7. What remedial measures/controls are in place to mitigate the risks with respect to various types of customers and their nature of business?
8. Following minimum contents may be covered in the Internal Risk Assessment Report:
 - a. Introduction of the Entity
 - b. Methodology for conducting Risk Assessment
 - c. Assessment of Crimes mentioned in NRA 2019 with relevance to the customers of the entities
 - d. Assessment of TF Threat including;
 - i. Entities of Concern and
 - ii. Transnational Risk
 - e. Assessment of Sectorial Vulnerabilities
 - i. Customers
 - ii. Products
 - iii. Delivery Channel
 - iv. Geography
 - f. Controls Measures specifically mentioning incremental controls put in place to address the enhanced risks.
 - g. Any other matter as may be considered relevant
 - h. Conclusion on Overall Risk rating of the Entity