

Anti-Money Laundering (AML)

Introduction

ASA STOCKS (PVT) LTD TREC holder and brokerage house of Pakistan Stock Exchange provides its customers access to all the markets traded at PSX that include Ready, Futures and MTS. The registered office of the company is located at 79 C-1 Gulberg, III Lahore.

Company's Policy

It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal 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 of ASA STOCKS (PVT) LTD 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 AML 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.

Objectives of ASA STOCKS (PVT) LTD Anti-Money Laundering / Counter

The objective of this policy is to ensure that the products and services of the ASA STOCKS (PVT) LTD. are not used to launder the proceeds of crime and that all of the ASA STOCKS (PVT) LTD staff are aware of their 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:

- a) Promote a "Know Your Customer" policy as a basis principle for the Brokerage firm's ethics and practices;
- b) Introduce a controlled environment where no business with a Customer is transacted until all essential information concerning the Customer has been obtained;
- c) Conduct self-assessments of compliance with AML policy and procedures;

- d) Introducing to the employees the stages of money laundering process and their individual duties;
- e) Establishing a review process which will be used to identify opportunities that might be used to launder money;
- f) Providing instructions regarding taking appropriate action once a suspicious activity or a money laundering activity is detected or suspected.

An effective Anti-Money Laundering and Countering the Financing of Terrorism (“ML/CFT”) regime requires financial institutions to adopt and effectively implement appropriate ML and TF control processes and procedures, not only as a principle of good governance but also as an essential tool to avoid involvement in ML and TF. AML and CFT Regime are governed under;

GUIDELINES ON SECP AML/CFT REGULATIONS

The Guidelines are applicable to all Regulated Persons (“RPs”) including Securities Brokers as defined under the SECP AML/CFT Regulations conducting relevant financial business and designed to assist RPs in complying with the Regulations. It supplements the Regulations and the AML/CFT regime by clarifying and explaining the general requirements of the legislation to help RPs in applying national AML/CFT measures, developing an effective AML/CFT risk assessment and compliance framework suitable to their business, and in particular, in detecting and reporting suspicious activities.

GOVERNING LAWS, RULES AND REGULATIONS

- a) Anti-Money Laundering Act, 2010;
- b) Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018.
- c) Anti-Money Laundering Rules, 2008, made under the Anti-Money Laundering Ordinance, 2007 (“ L Ordinance”);
- d) Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“SECP ML/CFT Regulations”);
- e) Guidelines on SECP AML/CFT Regulations issued by SECP in September 2018, and The Companies Act, 2017.
- f) Pakistan National Risk Assessment 2019 (NRA 2019).

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
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Financing of Terrorism Policy and Procedures:

- a) Comply with all AML/CFT Rules & Regulations of the jurisdictions it operates in;
- b) Appointment of a Compliance Officer who shall ensure adherence to the ASA STOCKS (PVT) LTD AML/CFT Policy and Procedures;
- c) Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which ASA STOCKS (PVT) LTD or its employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activities;
- d) Require all Employees to attend anti-money laundering training sessions, so that all such Employees are aware of their responsibilities under the policies and procedures; and as affected by current developments with respect to anti-money laundering events.

Money Laundering:

Money laundering is defined in the Proceeds of Crimes and includes all forms of handling or possessing criminal property, including possessing the proceeds of one's own crime, and facilitating any handling or possession of criminal property. Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activities are transformed into funds with an apparently legal source.

Money laundering has many destructive consequences both for society as a whole and for those entities involved in money laundering activities. With respect to society as whole, money laundering may provide resources for drug dealers, terrorists and other criminals to operate and expand their criminal activities.

With respect to entities, any involvement whether it be to initiate, assist, conceal, or ignore the source, nature, location, ownership or control of money laundering activities, can lead to both civil and criminal proceedings against both the individual and the entity involved .

Money laundering transactions may include:

- a) Using cash transactions
- b) Money Laundering using bank accounts
- c) Advising a potential or existing client on how to structure a transaction to avoid reporting and/or record keeping requirements;
- d) Money Laundering using investment related transactions

- e) Engaging in any activity while willfully or recklessly disregarding the source of the funds or the nature of the Clients transaction;
- f) Abnormal transactions
- g) a number of transactions by the same counter-party in small amounts of the same security, each purchased for cash and then sold in one transaction, the proceeds being credited to an account different from the original account;
- h) any transaction in which the nature, size or frequency appears unusual, e.g. early termination of packaged products at a loss due to front end loading; early cancellation, especially where cash had been tendered or there fund cheque is to a third party
- i) Engaging in any activity designed to hide the nature, location, source, ownership or control of proceeds of criminal activity;
- j) Dealing in funds to facilitate criminal activity; or Dealing in the proceeds of criminal activity.

Money laundering can involve the proceeds of drug dealings, terrorist activities, arms dealings, mail fraud, bank fraud, wire fraud or securities fraud, among other activities.

Terrorist Financing:

The financing of terrorism involves providing finance or financial support to individual terrorists or non-state actors. Some countries maintain a list of terrorist organizations and have money laundering laws, which are also used to combat providing finance for those organizations

Terrorist financing refers to the processing of funds to sponsors involved in or those who facilitate terrorist activity. Terrorist individuals/ groups/ organization derive income from a variety of sources, often combining both lawful and unlawful funding, and where the agents involved do not always know the illegitimate end of that income. The forms of such financing can be grouped into two types: Revenue Generating Activities - Income is often derived from criminal activities such as kidnapping, extortion, smuggling or fraud. Income may also be derived from legitimate economic activities such as diamond trading or real estate investment.

POLICY, PROCEDURES AND CONTROLS

As required under clause 4 (a) of the SECP AML/CFT Regulations, ASASPL is required to:

- develop and implement policies, procedures and controls with the approval of its Board

of Directors for enabling the Company to effectively manage and mitigate the risk that are identified in the risk assessment of ML/TF or notified to it by the Commission;

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

The Policies, Procedures and Controls should contain a clear description for employees of their obligations and instructions as well as guidance on how to keep the activity of the reporting entity in compliance with the Regulations. There should be internal procedures for detecting, monitoring and reporting suspicious transactions.

Responsibilities of Compliance Officer:

The Company has designated Head of Compliance as its AML/CFT program Compliance Officer, who shall report directly, and periodically to the Board of Directors or to another equivalent executive position or committee of the Company.

Responsibilities of the Compliance Officer cover the following area but not limited to:

- The regulated person effective 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;
- Ensuring that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors of the regulated person and are effectively implemented;
- Monitoring, reviewing and updating AML/CFT policies and procedures, of the regulated person;
- Providing assistance in compliance to other departments and branches of the regulated person;
- Timely submission of accurate data/ returns as required under the applicable laws;
- Monitoring and timely reporting of Suspicious and Currency Transactions to FMU; and
- Such other responsibilities as the regulated person may deem necessary in order to ensure compliance with these regulations.
- Review of Account Opening Forms and sign off from Compliance perspective
- Coordination and monitoring of ASA STOCKS (PVT) LTD day-to-day compliance with applicable Anti-Money Laundering Laws and Regulations and ASA STOCKS (PVT) LTD

- own AML/CFT Policy and Procedures;
- Conducting Employee training programs for appropriate personnel related to the ASA STOCKS (PVT) LTD 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 ASA STOCKS (PVT) LTD AML/CFT policy and procedures.
 - Ensure that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors and are effectively implemented;
 - monitoring, reviewing and updating AML/CFT policies and procedures;
 - Timely submission of accurate data/ returns as required under the applicable laws monitoring and timely reporting of Suspicious and Currency Transactions to FMU overseeing communication and training for employees
 - The AML Compliance Officer will also ensure that proper AML records are maintained by the Company.
 - The AML Compliance Officer will also ensure that proper AML/CFT Risk Assessment is made in the light of NRA 2019.
 - The Compliance Officer will submit Cash Transaction Report (CTR) if any; and / or Suspicious Transaction Report (STR) to Financial Monitoring Unit (FMU) in the manner as prescribed in relevant rules and regulations or respond to request about accounts or transactions made by the relevant authorities in respect of identity of the specified individual or organization, the account number, all identifying information provided by the account holder when the account was established, and the date and type of transaction.

Anti-Money Laundering Employee Training Program

As part of the ASA STOCKS (PVT) LTD anti-money laundering program, all Employees are expected to be fully aware of 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 ASA STOCKS (PVT) LTD AML/CFT policy and procedures.

To ensure the continued adherence to 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

Under The Guideline of Anti-Money Laundering and Countering Financing Of Terrorism Issued by SECP in September 2018.

- The ASASPL should ensure that all appropriate staff, receive training on ML/TF prevention on a regular basis, ensure all staff fully understands the procedures and their importance, and ensure that they fully understand that they will be committing criminal offences if they contravene the provisions of the legislation.
- Training to staff should be provided at least annually, or more frequently where there are changes to the applicable legal or regulatory requirements or where there are significant changes to the ASASPL's business operations or customer base.
- The ASASPL should provide their staff training in the recognition and treatment of suspicious activities. Training should also be provided on the results of the ASASPL risk assessments. Training should be structured to ensure compliance with all of the requirements of the applicable legislation.
- Staff should be aware on the AML/CFT legislation and regulatory requirements, systems and policies. They should know their obligations and liability under the legislation should they fail to report information in accordance with internal procedures and legislation. All staff should be encouraged to provide a prompt and adequate report of any suspicious activities.
- All new employees should be trained on ML/TF know the legal requirement to report, and of their legal obligations in this regard.
- The ASASPL shall consider obtaining an undertaking from their staff members (both new and existing) confirming that they have attended the training on AML/CFT matters, read the NSPL's AML/CFT manuals, policies and procedures, and understand the AML/CFT obligations under the relevant legislation.

- Staff members who deal with the public such as sales persons are the first point of contact with potential money launderers, and their efforts are vital to an organization's effectiveness in combating ML/TF. Staff responsible for opening new accounts or dealing with new customers should be aware of the need to verify the customer's identity, for new and existing customers. Training should be given on the factors which may give rise to suspicions about a customer's activities, and actions to be taken when a transaction is considered to be suspicious.
- Staff involved in the processing of transactions should receive relevant training in the verification procedures, and in the recognition of abnormal settlement, payment or delivery instructions. Staff should be aware of the types of suspicious activities which may need reporting to the relevant authorities regardless of whether the transaction was completed. Staff should also be aware of the correct procedure(s) to follow in such circumstances.
- All staff should be vigilant in circumstances where a known, existing customer opens a new and different type of account, or makes a new investment e.g. a customer with a personal account opening a business account. Whilst the ASASPL may have previously obtained satisfactory identification evidence for the customer, the ASASPL should take steps to learn as much as possible about the customer's new activities.
- Although Directors and Senior Managers may not be involved in the handling ML/TF transactions, it is important that they understand the statutory duties placed upon them, their staff and the firm itself given that these individuals are involved in approving AML/CFT policies and procedures. Supervisors, managers and senior management (including Board of Directors) should receive a higher level of training covering all aspects of AML/CFT procedures, including the offences and penalties arising from the relevant primary legislation for non-reporting or for assisting money launderers, and the requirements for verification of identity and retention of records.
- The CO should receive in-depth training on all aspects of the primary legislation, the Regulations, regulatory guidance and relevant internal policies. They should also receive appropriate initial and ongoing training on the investigation, determination and reporting of suspicious activities, on the feedback arrangements and on new trends of criminal activity.

Risk Assessment Classification and Management

The ASASPL shall conduct the Risk Assessment as under;

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

Methodology of conducting Risk assessment

Risk assessment is about finding out what are the risks, where they are and matters most and how to mitigate the risks identified to an acceptable level for business to go on. It is a rather intensive process. Not only must the assessor find out all the systems, processes and people that are involved, he must also know what are the threats and vulnerabilities that are relevant.

Threats

Anything that can exploit vulnerability, intentionally or accidentally, and obtain, damage, or destroy an asset or a person or thing likely to cause damage or danger, their funds can harm the society through ML/TF

Vulnerabilities

Weaknesses or gaps in a security program that can be exploited by threats to gain unauthorized access to an asset or that may support or facilitate its activities.

Inherent risk

Inherent risk: refers to ML/TF risk prior to the application of AML/CFT controls.

Consequences

Consequence refers to the impact or harm that ML or TF may cause and includes the effect of the underlying criminal and terrorist activity on financial systems and institutions, as well as the economy and society more generally.

The process of ML/TF risk assessment has four stages:

- 1) Identifying the area of the business operations susceptible to ML/TF;
- 2) Conducting an analysis in order to assess the likelihood and impact of ML/TF;
- 3) Managing the risks; and
- 4) Regular monitoring and review of those risks.

Further The NRA 2019 considers ML threats separately from the TF threats. Although there is some overlap, warranting separate ML and TF threat assessments.

Assessment of Money Laundering/Terrorist Financing Threats

- Identification of any Customer or their nominee or authorized persons or directors or beneficial owner or major shareholder who belongs to high-risk jurisdictions within Pakistan as identified in NRA update 2019.
- Identification of any Customer or their nominee or authorized persons or directors or beneficial owner or major shareholder who belongs to high-risk jurisdictions outside Pakistan as identified in NRA update 2019.
- Identification of any Customer or their nominee or authorized persons or directors or beneficial owner or major shareholder who belongs to Afghan Refugee as identified in NRA update 2019.
- Asses the size, source and the nature of transaction whether incoming or outgoing by the customers pertaining to high risk jurisdictions both domestic and foreign.

COUNTRY OR GEOGRAPHIC RISK FACTOR

- 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; and
- Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.
- The Customer or their nominee or authorized persons or directors or beneficial owner or major shareholder who belongs to high-risk jurisdictions in Pakistan as identified in NRA update 2019
- The customer whose nominee or their authorized persons or directors or beneficial owner belongs to high-risk jurisdictions within Pakistan as identified in NRA update 2019
- The customer who may belong to high-risk jurisdictions outside Pakistan as identified by FATF and mentioned at following web link:

<http://www.fatf-gafi.org/countries/#other-monitored-jurisdictions>

PRODUCT, SERVICE, TRANSACTION OR DELIVERY CHANNEL RISK FACTOR:

- ASASPL taking into account the potential risks arising from the products, services, and transactions that it offers to its Customers and the way these products and services are delivered, shall consider the following factors:

- Anonymous transactions (which may include cash);
- Non-face-to-face business relationships or transactions;
- Payments received from unknown or un-associated third parties;
- 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 Company, but are provided through channels of the institution;
- Products that involve large payment or receipt in cash; and One-off transactions.

Assessment of Transnational Risk

Analysis of the transnational risk of ASASPL in light of threats and vulnerabilities as highlighted in NRA 2019 which are as under;

- Identification and assessment of the customers of the ASASPL involving transactions with overseas jurisdictions and assess the degree of risk associated with these customers with the customers with respect to the transnational TF risk.
- Identification and evaluation of the customers or their nominees or authorized persons or directors or sponsors or major shareholders who are Afghan National or Afghan Refugee or national of Iran or Democratic People's Republic of Korea.
- Identification of, if any in the category of domestic NPOs/NGOs who is funded by foreign NPOs or NGOs that have presence in jurisdictions monitored by FATF as high risk or jurisdictions identified as high risk by the ASASPL who could have possibly links with proscribed entities or individuals.
- Assessment of funding of organizations / individuals at overseas jurisdictions by INGOs/NPOs/NGOs/individuals (including but not limited to Madrassas & religious charitable organizations), if any
- Assessment of the inflow and outflow of funds poured into the accounts of designated / proscribed persons and entities maintained with the ASASPL, if any, prior to the freezing of the account.
- Where outward remittances were processed through the accounts of exchange companies by the ASASPL, if any, ensure the CDD/EDD measures which were taken by the exchange company.
- Assessment of the customers involved in practices of hundi / hawala with a view to identify nexus of such customers with other individuals / entities and their methodology of operations.
- Evaluation of the possibility of the cyber frauds involving transfer of funds to accounts maintained in foreign jurisdictions and subsequently transferring these funds into the local jurisdiction by any of the existing customers.

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

- Assessment of the possible involvement in any criminal activity by any of the existing customers, which has a strong transnational element, such as drug trafficking or smuggling across the borders.

DNFBPS and its related ML/TF threats and vulnerabilities

An assessment of the customers whose business and professions pertains to DNFBPs which has M/L threats and vulnerabilities as highlighted in NRA 2019. These are as under

1. Real Estate Dealers (High Vulnerability)
2. Dealers in Precious Metals And Stones (Moderate High Vulnerability)
3. Accountants, Auditors and Tax Advisors (Moderate Vulnerability)
4. Lawyers (Moderate High Vulnerability)

Assessment of inherent vulnerability levels by type of legal persons

Identification of the customers;

- Who are legal persons as private limited companies
- Who are legal person as foreign companies.
- Who are legal person as Domestic limited liability partnerships.
- Who are legal person as Domestic Foreign limited liability partnerships.
- Who is legal arrangement as WAQF
- Who is legal arrangement as Trust
- who are NPO

Assessment as to how various types of crimes and their ML threats will affect in assigning appropriate risk rating.

- various legal and natural persons
- customers and /or their nominees or authorized persons
- directors or sponsors or major shareholders in light of NRA 2019

Red Flags Indicators for Misuse of Legal Persons

ASASPL are required to take appropriate measures to prevent the misuse of legal persons for Money Laundering/Terrorism Financing. Further, Immediate Outcome-5 also states that an

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

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

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

Customer Behavior:

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

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

Transactional Patterns:

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

Analyses of various types of crimes and their ML ratings

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

- Illicit Trafficking in Narcotic Drugs and Psychotropic Substances;
- Corruption and Bribery;
- Smuggling; (Including in Relation to Customs and Excise Duties and Taxes);

- Tax Crimes (Related to Direct Taxes and Indirect Taxes);
- Illegal MVTS/Hawala/Hundi,
- Cash Smuggling;
- Terrorism, Including Terrorist Financing;
- Participation in an Organized Criminal Group and Racketeering,
- Trafficking in Human Beings and Migrant Smuggling;
- Illicit Arms Trafficking;
- Fraud and forgery; Kidnapping,
- Illegal Restraint and Hostage-Taking;
- Robbery or Theft; Extortion;
- Insider Trading and Market Manipulation Cyber Crime Sexual Exploitation,
- Including Sexual Exploitation of Children;
- Illicit Trafficking in Stolen and Other Goods,
- Counterfeiting Currency;
- Counterfeiting and Piracy of Products;
- Murder,
- Grievous Bodily Injury;
- Environmental Crime; Piracy;

Client Identification Procedures

ASA STOCKS (PVT) LTD AML/CFT policy and procedures are intended to ensure that, prior to accepting funds from Clients, all reasonable and practical measures are taken to confirm the Clients 'identities.

The Client Identification Procedures should be reviewed in light of the specific characteristics presented by a Client and in any instance the Compliance Officer may determine to apply enhanced measures for reasons other than those discussed in section below. As a reference tool, an Individual Client KYC Checklist is used. Employees are encouraged to provide the Compliance Officer with any revisions they consider appropriate. The Compliance Officer shall retain copies of all documents reviewed or checklists completed in connection with its Client Identification Procedures in accordance with ASA STOCKS (PVT) LTD Client Records

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

- Full name as per Identity document of the Applicant
- Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification

- Residential Status, Nationality, Country of Residence
- Details of Employer/Business
- CNIC/NICOP/SNIC/POC/Passport Number
- Existing Mailing and Permanent address
- Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number and Email address
- NTN number
- Nature and Type of Account
- Details of Bank Account
- Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s)
- Source of Income, Gross Annual Income, Sources of Fund for Stock Market, Expected value of Investment
- Any other documents as required under the Annexure–I of AML/CFT Regulation 2018.

Practice of establishing business relationship with new clients:

Agents/Dealers/Sale Persons shall be required to know and carry-out the AML/CFT due diligence related procedures when a customer opens an account with the ASASPL which include the following:

- KYC/CDD Forms (Annexure-A) shall be completed by the Front Officer representative based on the information gathered from the new client and necessary supporting documents prescribed in KYC/CDD Form shall be obtained;
- It will be ensured that all documents, as given in AOF, have been collected before opening of account.
- AML checklist shall be completed by Front Office desk representative, based on information gathered from new International broker dealer /Foreign Institution.
- Initial deposit amount shall be accepted in the form of cross cheque/pay-order/demand draft or through any other banking channel after ensuring that such banking instrument has been drawn from the clients' own bank account.
- Front Office shall maintain a copy of the instrument used for initial deposit in its record.
- Front Office staff shall forward the Account Opening Form along with KYC/CDD to Account Maintenance Division of the Company where KYC/CDD details shall be entered into the back-office of the Company.
- Afterward, such complete set of AOF shall be forwarded to Compliance

department for their approval.

Joint Accounts:

In case of Joint account, the customer due diligence measures on all of the joint account holders shall be performed as if each of them were individual customers of the ASA STOCKS (PVT) LTD.

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

- Attested copies of ID document of Authorized person
- Power of Attorney duly attested by Notary Public on prescribed format duly signed by all Account Holders with the following minimum information:
- Name of Authorized person and his/her Relationship
- CNIC/NICOP/Passport number
- Contact Details and email address
- Specimen Signature of the person so authorized

The authorized person is only allow to issue instruction for buy or sale of securities on behalf of client and all payments or receipt of funds must be made to or from the client own accounts and must include CNIC number clearly marked on all payment Cheques.

Identification Procedures for Corporations, Partnerships, and Other Legal Entities

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

- Full name as per Identity document
- Company registration /Incorporation number
- Date and country of Incorporation
- Date of Business Commenced
- Residential Status
- Type of Business
- Name of parent Company
- Email, website and contact numbers

- Registered and mailing address
- NTN number and Sales Tax number
- Details of Contact Person and authorized person to operate the account
- Nature and Type of Account
- Details of Bank Account
- Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker
- Certified true copy of Board Resolution. (Specimen provided as per annexure “ ”) / Power of Attorney*
- Certified true copies of Constitutive Documents of the Applicant (Memorandum &
- Certified copy of list of Directors / Trustee (if applicable)*
- List of authorized signatories.
- List of Nominated persons allowed placing orders.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Authorized Signatories.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Contact Person.
- Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Witnesses.

Procedure for Screening of Proscribed Persons and PEPs

Upon receipt of request for opening New account, following procedure shall be adopted;

- The CNIC shall be verified from the original CNIC
- Physical presence of the client shall be ensured
- The CNIC shall be compared searched with the NACTA’ s database for proscribed persons given under Schedule IV at the following website;
<https://nfs.punjab.gov.pk/>
- Also the CNIC shall be compared and searched with the UN sanctions list of proscribed persons.
- The publically information through google/internet etc. shall be searched to ascertain the Politically Exposed Person (PEP) status of the applicant.
- If found PEP the approval from the COO/Director/ CEO shall be obtained.
- Upon approval from the COO/Director/ CEO the client shall be marked as High Risk.
- If the CNIC truly matches with the database of the NACTA or UN sanction list of proscribed persons; following actions have to be taken immediately

- If the CNIC matches with the database of the NACTA or UN list of Proscribed persons the account should be rejected and STR shall be reported.
- If the CNIC does not matches with the database of the NACTA the further procedure for account opening shall be initiated

For verification of existing accounts, following procedure shall be adopted;

The CNIC shall be compared and searched with the NACTA's database for proscribed persons given under Schedule IV at the following website;

<https://nfs.punjab.gov.pk/>

- Also the CNIC shall be compared and searched with the UN sanctions list of proscribed persons.
- If the CNIC truly matches with the database of the NACTA or UN sanction list of proscribed persons; following actions have to be taken immediately
 - (a) Freeze without delay the customer's fund or block the transaction, if it is an existing customer the customer's fund;
 - (b) Reject the customer, if the relationship has not commenced;
 - (c) Lodge a STR with the FMU;
 - (d) Notify the SECP;
 - (e) Notify the Ministry of Foreign Affairs in case that person is designated under United Nations Security Council Resolutions, and
 - (f) Notify the National Counter Terrorism Authority (NACTA) in case that person is designated under the Anti-Terrorism Act, 1997.
- If the CNIC does not match with the database of NACTA UN list of Proscribed persons, then;
- The publically information through google/internet etc. shall be searched to ascertain the Politically Exposed Person (PEP) status of the applicant.
- If found PEP the approval from the COO/Director/ CEO shall be obtained.
- Upon approval from the COO/Director/ CEO the client shall be marked as High Risk.

POLITICALLY EXPOSED PERSONS:

DEFINITION OF PEP:

A Politically Exposed Person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is, or has been entrusted with a prominent public function. Due to their

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption, bribery, and conducting activity related to terrorist financing (TF). The potential risks associated with PEPs justify the application of additional anti-money laundering/counter-terrorist financing (AML/CFT) preventative measures with respect to business relationships with PEPs.

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

1. Foreign PEPs

Individuals who are, or have been entrusted with prominent public functions by a foreign country, for example heads of state or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

2. Domestic PEPs

Individuals who are, or have been entrusted domestically with prominent public functions, for example heads of state or of government, senior politicians, senior government, judicial or military officials, and senior executives of state owned corporations, important political party officials.

3. International organization PEPs

A person who is, or has been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions i.e. directors, deputy directors, and members of the board or equivalent functions.

4. Family members/ Close associates

Individuals who are related to a PEP either directly or through marriage or similar (civil) forms of partnership and Individuals who are closely connected to PEP, either socially or professionally

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

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

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

Following additional red flags should be considered for PEP:

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

ASASPL shall take a risk based approach in determining whether to continue to consider a customer as PEP who is no longer a PEP. The factors that they should consider include:

- the level of (informal) influence that the individual could still exercise; and
- Whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).
- Approval by senior management (CEO/Director/COO) shall be sought before establishing business relationships with PEPs. Additionally, where appropriate, a STR shall be filed.

Customers' Screening:

In terms of AML/CFT Regulations, it is prohibited to provide services to proscribed individual & entities or to those who are known for their association with such individuals & entities, whether under the proscribed name or with a different name. Accordingly, it is imperative for ASA STOCKS (PVT) LTD to monitor its relationships on a continuous basis and ensure that no such relationship exists. Further, in case, if any such relationship is found, immediately report the same to Financial Monitoring Unit (FMU) and take any other action, as per law.

In pursuance of above, all customers should be properly screened through UN/OFAC sanctioned lists as available in the data base of the company.

Customers Who Refuse To Provide Information:

If a potential or existing client either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open a new account and, after considering the risks involved, consider closing any existing account. The Company will also refuse any account which is determined to be "high risk" by the compliance officer.

Whether or not to accept an account from a high-risk business is determined on a case-by-case basis after taking into account all the facts and circumstances of each case. For example, ASA STOCKS

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

(PVT) LTD will evaluate such criteria such as the size of the account being opened, and ATP's familiarity with the client. If a high-risk business account is opened, it will be monitored closely on an on-going basis to determine if any unusual cash movement or trading activity is occurring.

Verifying Information:

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our clients by using risk-based procedures to verify and document the accuracy of the information we get about our clients. In verifying client identity, we will analyze any logical inconsistencies in the information we obtain.

We will verify client identity through documentary evidence, non-documentary evidence, or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. We may also use such non- documentary means, after using documentary evidence, if we are still uncertain about whether we know the true identity of the customer. We will provide notice to the customer that we are requesting additional information to verify the customer's identity. We will not open a client account if we cannot form a reasonable belief of the client's true identity. If the client's identity cannot be proven, a SAR will be filed if warranted by the compliance officer.

Appropriate documents for verifying the identity of natural persons include the following: An unexpired driver's license, passport, or other government identification showing nationality, residence, and photograph or other biometric safeguard, an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard.

Timing of Verification

Verification of the identity of the customers shall be completed before business relations are established including verification of Universal Identification Number (UIN) from National clearing company of Pakistan limited (NCCPL) database.

Client Records Retention

Copies of all documents related to ASA STOCKS (PVT) LTD's Client Identification Procedures will be retained for an appropriate period of time and, at a minimum, the period of time required by applicable law or regulation.

The documents ASA STOCKS (PVT) LTD retains are copies of documents reviewed in

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

connection with Client Identification Procedures or enhanced due diligence procedures, Client identification checklists, if any, or similar due diligence documentation, and any other documents required to be retained by applicable anti-money laundering legislation.

ASA STOCKS (PVT) LTD will retain documents for so long as a Client is a client of ASA STOCKS (PVT) LTD and for a minimum of five years after this relationship ends.

ASA STOCKS (PVT) LTD shall, however, retain those records for longer period where transactions, customers or accounts involved litigation or it is required by court or other competent Authority.

ASA STOCKS (PVT) LTD shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including Law enforcement agencies and FMU for supply of information and records as per law.

As mentioned under the guideline of Regulation

Independent audit of AML/CFT Compliance Program

ASASPL shall, on a regular basis, conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT Policies and Procedures;

The frequency of such audit shall at least be on annual basis. However such audit may be conducted on need basis based on the quantum and quality of risks identified during the period.

The AML/CFT audits shall be conducted to assess the AML/CFT systems of the Company in accordance with the applicable law, rules, regulations and guidelines related to Anti-Money Laundering Law. Such AML/CFT audit may be conducted as a separate assignment or along with other internal audit plan.

Under The Guideline of Anti-Money Laundering and Countering Financing Of Terrorism Issued by SECP in September 2018.

- 1) RPs are expected to have systems and controls that are comprehensive and proportionate to the nature, scale and complexity of their activities and the ML/TF risks they identified. RPs should establish and maintain internal controls in relation to:

- I. An audit functions to test the AML/CFT systems, policies and procedures;
 - II. Outsourcing arrangements;
 - III. Employee screening procedures to ensure high standards when hiring employees; and
 - IV. An appropriate employee training program.
- 2) The type and extent of measures to be taken should be appropriate to the ML/TF risks, and to the size of the RP.

a) Audit Function

i. A RP should, on a regular basis, conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT policies and procedures. The frequency of the audit should be commensurate with the RP's nature, size, complexity, and risks identified during the risk assessments. The AML/CFT audits should be conducted to assess the AML/CFT systems which include:

- (1) Test the overall integrity and effectiveness of the AML/CFT systems and controls;
- (2) assess the adequacy of internal policies and procedures in addressing identified risks, including;
 - (a) CDD measures;
 - (b) Record keeping and retention;
 - (c) Third party reliance; and
 - (d) Transaction monitoring;
- (3) Assess compliance with the relevant laws and regulations;
- (4) Test transactions in all areas of the RP, with emphasis on high-risk areas, products and services;
- (5) Assess employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;
- (6) assess the adequacy, accuracy and completeness of training programs;
- (7) Assess the effectiveness of compliance oversight and quality control including parameters for automatic alerts (if any), and
- (8) Assess the adequacy of the RP's process of identifying suspicious activity including screening sanctions lists.

b) Outsourcing

- i. RPs should maintain policies and procedures in relation to outsourcing where they intend to outsource some of their functions. The RP shall conduct the due diligence on the proposed service provider to whom it intends to outsource as appropriate and also ensure that the service provider (“OSP”) is fit and proper to perform the activity that is being outsourced.
- ii. Where the RP decides to enter into an outsourcing arrangement, the RP shall ensure that the outsourcing agreement clearly sets out the obligations of both parties. RPs entering into an outsourcing arrangement should develop a contingency plan and a strategy to exit the arrangement in the event that the OSP fails to perform the outsourced activity as agreed.
- iii. The OSP should report regularly to the RP within the timeframes as agreed upon with the RP. The RP should have access to all the information or documents relevant to the outsourced activity maintained by the OSP. RPs must not enter into outsourcing arrangements where access to data without delay is likely to be impeded by confidentiality, secrecy, privacy, or data protection restrictions.
- iv. RPs shall ensure that the outsourcing agreement requires OSPs to file a STR with the FMU in case of suspicions arising in the course of performing the outsourced activity.

c) Employee Screening

ASASPL should maintain adequate policies and procedures to screen prospective and existing employees to ensure high ethical and professional standards when hiring. The extent of employee screening should be proportionate to the potential risk associated with ML/TF in relation to the business in general, and to the particular risks associated with the individual positions.

- ii. Employee screening should be conducted at the time of recruitment, periodically thereafter, i.e., at least annually and where a suspicion has arisen as to the conduct of the employee.
- iii. ASASPL shall ensure that their employees are competent and proper for the discharge of the responsibilities allocated to them. While determining whether an employee is fit and proper, the RP may:
 - (1) Verify the references provided by the prospective employee at the time of recruitment
 - (2) Verify the employee’s employment history, professional membership and qualifications

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

(3) Verify details of any regulatory actions or actions taken by a professional body

(4) Verify details of any criminal convictions; and

(5) Verify whether the employee has any connections with the sanctioned countries or parties.

Record Keeping

It shall be ensured that all information obtained in the context of CDD is recorded for at least 10 years after termination of the transaction, including but not limited to:

All the documents received by ASASPL from clients when verifying the identity of the Customer or the beneficial owner; and
Transcription of the relevant CDD information contained in such documents or obtained by other means.

All the record of transactions, customers or accounts which involved litigation or required by Court / other competent authorities shall be retained more than 10 years till the resolution/ clearance of such matters.

Following records should be maintained at minimum, for a period of at least 10 years after the business relationship has ended:

- Account opening forms & KYC forms
- Copy of identification documents
- All verification documents
- Business correspondence
- Records pertaining to enquiries about:
- Complex and unusual large transactions
- Unusual patterns of transactions

Beneficial ownership information must be maintained for:

- at least five (5) years after the date on which the customer (a legal entity) is dissolved or otherwise ceases to exist; or
- Five (5) years after the date on which the customer ceases to be a customer of the Securities Broker.

Under The Guideline of Anti-Money Laundering and Countering Financing Of Terrorism Issued by SECP in September 2018.

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

- 1) The ASASPL should ensure that all information obtained in the context of CDD is recorded. This includes both;
 - a) Recording the documents the ASASPL is provided with when verifying the identity of the customer or the beneficial owner, and
 - b) Transcription into the RP's own IT systems of the relevant CDD information contained in such documents or obtained by other means.
- 2) The ASASPL should maintain, for at least 10 years after termination, all necessary records on transactions to be able to comply swiftly with information requests from the competent authorities. Such records should be sufficient to permit the reconstruction of individual transactions, so as to provide, if necessary, evidence for prosecution of criminal activity.
- 3) Where there has been a report of a suspicious activity or the ASASPL is aware of a continuing investigation or litigation into ML/TF relating to a customer or a transaction, records relating to the transaction or the customer should be retained until confirmation is received that the matter has been concluded.
- 4) The NSPL should also keep records of identification data obtained through the customer due diligence process, account files and business correspondence that would be useful to an investigation for a period of 10 years after the business relationship has ended. This includes records pertaining to enquiries about complex, unusual large transactions, and unusual patterns of transactions. Identification data and transaction records should be made available to relevant competent authorities upon request.
- 5) Beneficial ownership information must be maintained for at least 10 years after the date on which the customer (a legal entity) is dissolved or otherwise ceases to exist, or five years after the date on which the customer ceases to be a customer of the ASASPL.
- 6) Records relating to verification of identity will generally comprise:
 - a) a description of the nature of all the evidence received relating to the identity of the verification subject; and
 - b) The evidence itself or a copy of it or, if that is not readily available, information reasonably sufficient to obtain such a copy.
- 7) Records relating to transactions will generally comprise:
 - I) details of personal identity, including the names and addresses, of:**
 - a) The customer;
 - b) The beneficial owner of the account or product; and
 - c) Any counter-party
 - II) Details of securities and investments transacted including:**
 - a. the nature of such securities/investments;

- b. valuation(s) and price(s);
- c. memoranda of purchase and sale;
- d. source(s) and volume of funds and securities;
- e. destination(s) of funds and securities;
- f. memoranda of instruction(s) and authority(ies);
- g. book entries;
- h. custody of title documentation;
- i. the nature of the transaction;
- j. the date of the transaction;
- k. the form (e.g. cash, cheque) in which funds are offered and paid out.

On-going Monitoring of Business Relationships

Once the identification procedures will be completed and the business relationship will be established, the Company will monitor the conduct of relationship to ensure that it is consistent with the nature of business stated when the relationship/account was opened. The Company will conduct ongoing monitoring of their business relationship with their customers. Ongoing monitoring helps the Company to keep the due diligence information up-to-date, and review and adjust the risk profiles of the customers, where necessary.

The Company will conduct an on-going due diligence which will include scrutinizing the transactions undertaken throughout the course of the business relationship with a customer. Further, the Company' risk department has put in place a weekly review mechanism which includes comparison of client deposits and available KYC/CDD clients' information to confirm that the clients have disclosed adequate income sources to justify the value of deposits. Where inadequacy is identified additional documents/information is obtained from the clients by sending emails and making follow-up calls.

Company will stay vigilant for any significant changes or inconsistencies in the pattern of transactions. Inconsistency is measured against the stated original purpose of the accounts and the customer updated KYC profile. Possible areas to monitor could be:

- transaction type
- frequency
- amount
- geographical origin/destination
- account signatories
- mandate

It is recognized that the most effective method of monitoring of accounts is achieved through a combination of computerized and human manual solutions. A corporate compliance culture, and properly trained, vigilant staff through their day-to-day dealing with customers, will form an

effective monitoring mechanism. Hence, Company take support of the technology to the extent possible while uses manual procedures where current technology does not support certain report types and analysis. For example, screening against UNSC consolidate sanctions list is performed daily through an internally developed matching and alerts-based solution while individual transactions of customers are matched against customer profiles using Microsoft Excel spreadsheet analytical tool

CONTROLS MEASURES AND CONTROLS PUT IN PLACE TO ADDRESS THE ENHANCED RISKS.

Prior to opening of a new account the following controls have been placed;

- 1 Assessment of all crimes based on the seriousness and magnitude of the crimes as per NRA 2019, both domestically and internationally and in case of suspicion the relationship shall not be established and the STR shall be initiated.
- 2 Assessment of Transnational Risk including but not limited to source of funds, the flow of money in and out of Pakistan, the channels used for transmission of funds and in case of suspicion of ML/TF the relationship shall not be established and the STR shall be initiated.
- 3 Procedure for Screening of Proscribed Persons, entities, terrorist organization and PEPs shall be adopted and in case of suspicion of ML/TF the relationship shall not be established and the STR shall be initiated.

Other Controls include;

- 4 Develop system and procedure to highlight inward remittances outward remittances received from high-risk jurisdictions.
- 5 Develop and train the staff to have adequate understanding of the transnational TF risk emanating from financial operations.
- 6 The Internal Audit to include review of assessment of transnational TF risk of the ASASPL in its review?
- 7 Perform screening of your customer database at the time of induction.
- 8 Perform the screening of customer database on regular basis
- 9 Filing of STRs relating to TF risk whenever necessary without delay.
- 10 Keep record of all the accounts which have been rejected during CDD process
- 11 Maintain the record of all those accounts of clients which have been closed on CDD process
- 12 High Net worth Individuals are assigned High Risk category and thus are subject to Enhanced Due Diligence. Whereas PEPs are already rated as High Risk.

- 13 Acceptance of cash is allowed only to the extent of Rs. 25,000/-. Generally, as matter of policy cash transactions are extremely discouraged and are only acceptable under exceptional circumstances warranting exceptional situation.
- 14 In case of internet based payment it is ensured that the payment comes directly from the customers' bank account and necessary evidence/verification and documents for this purpose are obtained from the customer prior to giving credit in his account.
- 15 Payments from and to third parties are completely unacceptable and are not practiced at all.
- 16 Business relationship shall not be established with the clients based in the high risk based jurisdictions, whether local or foreign.
- 17 Neither any distributor/agent shall be appointed nor shall any office be operated in the high risk based jurisdictions, whether local or foreign.
- 18 All the existing clients shall again be assessed in the light of the NRA 2019 and their risk rating shall be changed / reassigned wherever applicable.
- 19 All the new and existing clients shall be assessed for Designated Non-Financial Businesses and Professions (DNFBPs) and shall be assigned risk assessment rating accordingly
- 20 No business relationship shall be established with the following legal persons and entities
 - i. Companies formed under the Companies Act, namely:
 - a. Public interest companies.
 - b. Public sector companies.
 - c. Companies limited by guarantee (s 2 (19)).
 - d. Foreign companies (registered under Part 12 of the Companies Act).
 - e. Associations (formed as charities and not for profit companies) under s 42.
 - ii. Limited liability partnerships (LLPs) formed under the Limited Liability Partnership Act 2017 and defined under that Act as having separate legal personality, namely:
 - a. Domestic limited liability partnerships.
 - b. Foreign limited liability partnerships.
 - iii. Cooperatives formed under the Cooperative Societies 1925. These entities have independent legal status as legal persons upon registration.
- 21 No branch alongside porous borders/in different provinces or business through agents/distributors belonging to porous borders, KPK, Baluchistan and Gilgit Baltistan should be opened.
- 22 No business relationship from high-risk jurisdictions local including KPK, Baluchistan and Gilgit Baltistan or international high-risk jurisdictions will be accepted by the ASASPL.

New Products, Practices and Technologies

ASA STOCKS (PVT) LTD identify and assess the money laundering and terrorism financing risks that may arise in relation to-

- (i) the development of new products and new business practices, including new delivery mechanisms; and
- (ii) the use of new or developing technologies for both new and pre-existing products: Undertake the risk assessments, prior to the launch or use of such products, practices and technologies, and ASA STOCKS (PVT) LTD take appropriate measures to manage and mitigate the risks,

- Anonymous transactions (which may include cash);
- Non-face-to-face business relationships or transactions;
- Payments received from unknown or un-associated third parties;
- 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 Company, but are provided through channels of the institution;
- Products that involve large payment or receipt in cash; and One-off transactions.

Monitoring Accounts For Suspicious Activity:

We will manually monitor 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 below. We 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. The AML Compliance Officer or his or her designee will be responsible for this monitoring, will document when and how it is carried out, and will report suspicious activities to the appropriate authorities.

Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

- The client exhibits unusual concern about the Company's compliance with government reporting requirements and the Company's AML policies, particularly on his or her identity, type of business and assets, or is reluctant, or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
- The client wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the client's stated business or investment strategy.
- The information provided by the client that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

- Upon request, the client refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The client (or a person publicly associated with the client) has a questionable background, or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The client exhibits a lack of concern regarding risks of the investment.
- The client appears to be acting as an agent for an undisclosed principal, but declines, or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity. The client has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The client attempts to make frequent or large deposits of currency, or asks for exemptions from the Company's policies relating to the deposit of cash and cash equivalents.
- For no apparent reason, the client has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- The client is from, or has accounts in, a country identified as a non-cooperative country.
- The client's account shows numerous currency or cashier's check transactions aggregating to significant sums.
- The client's account has wire transfers that have no apparent business purpose to or from a country identified as money laundering risk or a bank secrecy haven.
- The client's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- The client makes a funds deposit followed by an immediate request that the money be wired or transferred to a third party, or to another Company, without any apparent business purpose.
- The client makes a funds deposit for purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- The client engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The client requests that a transaction be processed to avoid the Company's normal documentation requirements.
- The client maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The client's account has inflows of funds or other assets well beyond the known income or resources of the customer.
- Responding to Red Flags and Suspicious Activity

When a member of the Company detects any red flag he or she will investigate further under the direction of the AML

Compliance Officer. This may include gathering additional information internally or from third party sources, contacting the government, freezing the account.

Risk Profiling Of Customers

All relationships shall be categorized with respect to their risk levels i.e. High, and Low based on the risk profiling of customer (through KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

The approval for opening of PEP and Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Business Head) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. Customer KYC / CDD profile will be reviewed and/or updated on the basis of predefined frequency, in accordance with the risk profile of the customer, as per procedure defined in operational Manual.

- High Risk every after one month
- Low Risk after one Quarterly

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

High-Risk Clients

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

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

1. Non-resident customers belonging to high risk countries having High net worth unexplained Income Transactions / Foreign Remittance Received otherwise we categories in Low Risk ;
2. Legal persons or arrangements including non-governmental organizations; (NGOs)/ not-for-profit organizations (NPOs) and trusts / charities;
3. Customers belonging to countries where CDD/KYC and antimoney laundering regulations are lax or if funds originate or go to those countries;
4. Customers whose business or activities present a higher risk of money laundering such as cash based business;
5. High net worth customers with no clearly identifiable source of income;

6. There is reason to believe that the customer has been refused brokerage services by another brokerage house;
7. Non-face-to face / on-line customers;
8. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
9. Politically Exposed Persons (PEPs) or customers holding public or high profile positions.

Beneficial Ownership of Legal Persons and Legal Arrangements:

ASASPL shall take steps to know who their customers are. ASASPL shall not keep anonymous accounts or accounts in fictitious names. ASASPL shall take steps to ensure that their customers are who they purport themselves to be. RPs shall conduct CDD, which comprises of identification and verification of customers including beneficial owners (such that it is satisfied that it knows who is the beneficial owner) understanding the intended nature and purpose of the relationship, and ownership and control structure of the customer.

RPs shall verify the identification of a customer using reliable independent source documents, data or information including verification of CNIC. Similarly, RPs shall identify and verify the customer's beneficial owner to ensure that the ASASPL understands who the ultimate beneficial owner is. In case of suspicion of ML/TF, the ASASPL should seek to identify and verify the identity of the customer and the beneficial owner.

The ASASPL shall identify and verify the identity of the customer, and understand the nature of its business, and its ownership and control structure.

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

First, to prevent the unlawful use of legal persons and arrangements, by gaining a sufficient understanding of the applicant to be able to properly assess the potential ML/TF risks associated with the business relationship

Second to take appropriate steps to mitigate the risks

If ASASPL has any reason to believe that an applicant has been refused facilities by another BROKER due to concerns over illicit activities of the customer, it should consider classifying that applicant:

As higher-risk and apply enhanced due diligence procedures to the customer and the relationship;

- Filing an STR; and/or
- Not accepting the customer in accordance with its own risk assessments and procedures.

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

The ASASPL shall accept copies of the documents for identifying a Customer verified by seeing originals during establishing business relationship.

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

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

- 1) Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- 2) Considering the source of the Client's wealth: including the economic activities that generated the Client's wealth, and the source of the particular funds intended to be used to make the investment;
- 3) Reviewing generally available public information, such as media reports, to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of anti-money laundering laws or regulations or any investigation, indictment, conviction or civil enforcement action relating to financing of terrorists; Conducting a face-to-face meeting with the Client to discuss/confirm the account opening documents.
- 4) The enhanced due diligence procedures undertaken with respect to 'high risk' Clients must be thoroughly documented in writing, and any questions or concerns with regard to a 'high risk' Clients should be directed to the Compliance Officer.

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

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

- 1) Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- 2) Reviewing recent changes in the ownership or senior management of the Client;
- 3) Conducting a visit to the Client's place of business and conducting a face-to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- 4) Reviewing generally available public information to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of anti-money laundering

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

laws or regulations or any criminal investigation, indictment, conviction or civil enforcement action relating to financing of terrorists.

Simplified Due Diligence (SDD)

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

SDD measures shall include:

- Decreasing the frequency of customer identification updates;
- Reducing the degree of on-going monitoring and scrutinizing transactions based on a reasonable monetary threshold; and
- Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but intended purpose and nature of account may be ascertained from the relationship established or from the type of transactions.

SDD measures should not be considered in following situations:

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

Customer Due Diligence

ASASPL will take steps to know who their customers are. The ASASPL as a policy matter will not open anonymous accounts or accounts in fictitious names and alias. Hence, for customers which are natural person, names contained in their CNIC / NICOP / Passports will be used as title of account, and same is verified from NADRA Verisys record. For entities the title of account offered is same as the one contained in their establishing/incorporation document. The ASASPL will conduct CDD, which will comprise of identification and verification of customers including beneficial owners (such that it is satisfied that it knows who the beneficial Owner is) understanding the intended nature and purpose of the relationship, and ownership and control structure of the customer.

The ASASPL will conduct CDD when establishing a business relationship If:

- (1) There is a suspicion of ML/TF.

(2) There are doubts as to the veracity or adequacy of the previously obtained customer identification information

In case of suspicion of ML/TF, the ASASPL will:

- (1) Seek to identify and verify the identity of the customer and the beneficial
 - (2) File an STR with the FMU, in accordance with the requirements under the Law.
- ASASPL will monitor transactions to determine whether they are linked. Transactions could be deliberately
 - ASASPL will verify the identification of a customer using reliable independent source documents, data or information including verification of CNICs from NADRA Verisys. Similarly, the ASASPL will identify and verify the customer's beneficial owner to ensure that the ASASPL understands who the ultimate beneficial owner is.
 - ASASPL will ensure that it understands the purpose and intended nature of the proposed business relationship or transaction. The ASASPL will assess and ensures that the nature and purpose are in line with its expectation and use the information as a basis for ongoing monitoring.
 - ASASPL may differentiate the extent of CDD measures, depending on the type and level of risk for the various risk factors. For example, in a particular situation, they could apply normal CDD for customer acceptance measures, but enhanced CDD for ongoing monitoring, or vice versa.
 - When performing CDD measures in relation to customers that are legal persons or legal arrangements, the ASASPL identifies and verifies the identity of the customer, and understand the nature of its business, and its ownership and control structure.
 - The purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is twofold: first, to prevent the unlawful use of legal persons and arrangements, by gaining a sufficient understanding of the applicant to be able to properly assess the potential ML/TF risks associated with the business relationship; and second, to take appropriate steps to mitigate the risks. In this context, the ASASPL will identify the customer and will verify its identity.
 - If the ASASPL will have any reason to believe that an applicant has been refused facilities by another Brokerage
 - The ASASPL will apply CDD/EDD measures to existing customers on the basis of materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.
 - Further, if the ASASPL will have suspicion of ML/TF or will become aware at any time that it lacks sufficient information about an existing customer, it will take steps to ensure

that all relevant information is obtained as quickly as possible irrespective of CDD/EDD revised information collection frequency set as per risk classification of customer.

Tippling-off & Reporting

The Law prohibits tipping-off any information about the suspicious matter to the concerned customer or to a person not relevant in the process of filing an STR. However, a risk exists that customers could be unintentionally tipped-off when the ASASPL is seeking to complete its CDD obligations or obtain additional information in case of suspicion of ML/TF. The applicant/customer's awareness of a possible STR or investigation could compromise future efforts to investigate the suspected ML/TF operation.

Therefore, if the ASASPL will form a suspicion of ML/TF while conducting ongoing CDD/EDD, it will take into account the risk of tipping-off when performing the CDD process. If the ASASPL reasonably believes that performing the CDD or on-going process will tip-off the applicant/customer, it might not pursue that process, and will file an STR. For this ASASPL will ensure that its employees are aware of, and sensitive to, these issues when conducting CDD or ongoing CDD/EDD.

Enhanced Due Diligence (EDD)

ASA STOCKS (PVT) LTD Company should apply Enhanced Due Diligence (EDD) when dealing with high-risk customers. Appropriate policies and procedures must be developed and put in place to ensure that activities and transactions of High-risk customers are adequately monitored and any unusual transactions are reported.

While dealing with the high-risk customers including the PEPs, the ASA STOCKS (PVT) LTD Company should:

Obtain senior management approval for establishing business relationships with such customers. The same shall also apply in case of an existing customer which is classified as High-risk pursuant to these guidelines or which is subsequently classified as a result of ongoing due diligence;

Take reasonable measures to establish the source of wealth and source of funds.

If the ASA STOCKS (PVT) LTD Company is unable to comply with the above requirements, it should not open the account, or should terminate the business relationship, as the case may be and should submit a Suspicious Transaction Report.

Suspicious Transaction Report

When ASA STOCKS (PVT) LTD Company is not able to identify and verify the identity of the customer and the beneficial owner or is not able to obtain adequate information regarding the

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

purpose and intended nature of the customer relationship, it should not open the account, commence customer relationship or in the case of an existing customer should terminate the relationship and consider the filing of a Suspicious Transaction Report.

On-going Due Diligence & Monitoring

CDD is not a one-time exercise. ASA STOCKS (PVT) LTD Company should ensure that on-going Due Diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with the ASA STOCKS (PVT) LTD Company’s knowledge of the Customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.

ASA STOCKS (PVT) LTD Company shall ensure that the customer records are updated at regular intervals and sufficient information is obtained regarding any significant change in the customer profile.

Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only.

For the purpose of On-Going Due Diligence, ASA STOCKS (PVT) LTD at all the time monitors transactions of all the clients, and keeps matching these transactions from the customer profile.

ASA STOCKS (PVT) LTD keeps all customer records updated and has a policy of assessing any change in customer profile on regular basis.

Type of Customer

Sr. #	Type of Customer	Information Required	Documents Required
1	Individual, Sole Proprietorship	<ul style="list-style-type: none"> • Name and Father's Name • Address • Telephone Number(s) • Source of Income and Proof • Nationality & NTN • Guardian name 	<ul style="list-style-type: none"> • Copy of CNIC or passport or attested copy of B form in case of minor. • Detail of Business/Employment Proof. • Zakat Exemption Certificate (If applicable) • Guardian Certificate (If Applicable)

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

		(if Applicable) •NACTA Screening Beneficial owner in Case of Non Earing Child, and House Wife	•Income Tax Return •Nadra Screening
2	Partnership	<ul style="list-style-type: none"> • Name of Partnership Entity • Names of Partners • Father's Name of partner • Address of Partnership entity • Telephone Number(s) 	<ul style="list-style-type: none"> • Copy of CNIC/Passport of all partners • Copy of CNIC of authorized signatories • List of Authorized signatories along with power of attorney • Resolution authorizing investments • Copy of latest financials of partnership • Copy of latest financials of partnership
3	Companies and Corporate	<ul style="list-style-type: none"> • Name of Company and its Directors • Registered Address • Telephone Number(s) • Contact persons • Registered number & NTN 	<ul style="list-style-type: none"> • Copy of CNIC/Passport of all Directors • Audited Accounts of the company • Memorandum and Article of Association. • Board Resolution authorizing investments. • Certificate of Incorporation/ Commencement of Business

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

			<ul style="list-style-type: none"> • List of Authorized Signatories along with copy of CNICs.
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Reliance on Third Parties

Regulated person may rely on a third party to conduct CDD on its behalf provided that the regulated person shall;

- (a) obtain immediately, the necessary information relating to identification of the customer, identification of the beneficial owner and/or the nature of business of the customer;
- (b) take steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay;
- (c) satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with, CDD and record-keeping requirements in line with these regulations; and
- (d) Maintain data/ information confidentiality and non-disclosure agreement with the third party.

When determining in which countries the third party that meets the conditions can be based, regulated person should have regard to information available on the level of country risk.

For regulated person that rely on a third party that is part of the same financial group:

- (a) the group should apply CDD and record-keeping requirements and programs against money laundering and terrorist financing, in accordance with these regulations; and
- (b) Any higher country risk should be adequately mitigated by the group’s AML/CFT policies.
- (c) The implementation of those CDD and record-keeping requirements and AML/CFT programs shall be supervised at a group level by a competent authority.

The regulated person shall be responsible for ongoing monitoring of its customers and notwithstanding the reliance upon a third party, the regulated person shall ultimately remain responsible for its AML/CFT obligations, including generating STRs and shall carry out ongoing monitoring of such customer itself.

General Reporting Procedures

- 1) The Compliance Officer on behalf of the organization is nominated to receive disclosures under this regulation.
- 2) Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to

the Compliance Officer;

3) Where a disclosure is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is available to ASA STOCKS (PVT) LTD and determine whether it gives rise to suspicion: and Where the Compliance Officer determines in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority after obtaining an independent legal advice.

Program to Test AML Program:

The Company will hire an independent, qualified party to provide an annual independent audit of our AML policies and procedures, and the compliance with said procedures. The Company will perform written follow-up to insure that any deficiencies noted during its annual review are addressed and corrected.

The Company will confirm with its AML audit firm that their audit program includes the following:

1. Audit objectives and scope of the exam;
2. Any recommendations on improving the AML program;
3. A discussion of any noted deficiencies and an action plan to be implemented by management to address these deficiencies; and
4. An overall opinion of the adequacy of the Company's AML program

A report of the independent review shall be addressed to senior management with a copy being maintained by the Company's AML Compliance Officer.

Reporting of Suspicious Transactions / Currency Transaction Report

Reporting of Transactions (STRs/CTRs).-

- ASA STOCKS (PVT) LTD 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.
- ASA STOCKS (PVT) LTD implements appropriate internal policies, procedures and controls for meeting their obligations under the AML Act.
- ASA STOCKS (PVT) LTD pays 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 ASA STOCKS (PVT) LTD , as far

as possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.

- The transactions, which are out of character, are inconsistent with the history, or are not commensurate with the level of income of a customer ASA STOCKS (PVT) LTD be viewed with suspicion, be properly investigated and referred to Compliance Officer for possible reporting to FMU under the AML Act.
- ASA STOCKS (PVT) LTD 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 ASA STOCKS (PVT) LTD 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 ASA STOCKS (PVT) LTD 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.

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

A suspicious activity will often 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 ASA STOCKS (PVT) LTD should put "on enquiry". ASA STOCKS (PVT) LTD 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 by ASA STOCKS (PVT) LTD do not provide a satisfactory explanation of the transaction, it may be concluded that there are grounds for suspicion requiring disclosure and escalate matters to the AML/CFT CO.
- 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:

- (1) any unusual financial activity of the customer in the context of the customer's Own usual activities;
- (2) any unusual transaction in the course of some usual financial activity;
- (3) any unusually linked transactions;
- (4) any unusual method of settlement;
- (5) any unusual or disadvantageous early redemption of an investment product;
- (6) Any unwillingness to provide the information requested.

- Where cash transactions are being proposed by customers, and such requests are not in accordance with the customer's known reasonable practice, ASA STOCKS (PVT) LTD will need to approach such situations with caution and make further relevant enquiries. Depending on the type of business ASA STOCKS (PVT) LTD conducts and the nature of its customer portfolio, ASA STOCKS (PVT) LTD may wish to set its own parameters for the identification and further investigation of cash transactions.
- Where ASA STOCKS (PVT) LTD has been unable to satisfy that any cash transaction is reasonable, and therefore should be considered as suspicious. ASA STOCKS (PVT) LTD 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 ASA STOCKS (PVT) LTD decides that a disclosure should be made, the law requires ASA STOCKS (PVT) LTD to report STR without delay to the FMU, in standard form as prescribed under AML Regulations 2018. The STR prescribed reporting form can be found on FMU website through the link below.
- The process for identifying, investigating and reporting suspicious transactions to the FMU should be clearly specified in the reporting entity's policies and procedures and communicated to all personnel through regular training.
- ASA STOCKS (PVT) LTD is required to report total number of STRs filed to the Commission on bi- annual basis within seven days of close of each half year. The CO should ensure prompt reporting in this regard.
- Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:
 - (1) the date of the report;
 - (2) the person who made the report;
 - (3) the person(s) to whom the report was forwarded; and
 - (4) Reference by which supporting evidence is identifiable.

It is normal practice for ASA STOCKS (PVT) LTD to turn away business that they suspect might be criminal in intent or origin. Where an applicant or a customer is hesitant/fails to

ASA STOCKS (PVT) LTD

ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS

provide adequate documentation (including the identity of any beneficial owners or controllers), consideration should be given to filing a STR. Also, where an attempted transaction gives rise to knowledge or suspicion of ML/TF, that attempted transaction should be reported to the FMU.

Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity ASA STOCKS (PVT) LTD should ensure that appropriate action is taken to adequately mitigate the risk of ASA STOCKS (PVT) LTD being used for criminal activities. This may include a review of either the risk classification of the customer or account or of the entire relationship itself. Appropriate action may necessitate escalation to the appropriate level of decision-maker to determine how to handle the relationship, taking into account any other relevant factors, such as cooperation with law enforcement agencies or the FMU.

Cash Transactions (CTR)

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

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

Monitoring Employees, Employee Conduct, and Accounts:

The Company's compliance officer will conduct a background check, including a check of any criminal records, on all new employees hired by the firm. Any suspicious or questionable background information will be discussed with the Company's managing director prior to making any final employment decision.

If employees have trading accounts, we will subject employee accounts to the same AML procedures as client accounts, under the supervision of the AML Compliance Officer

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

Confidential Reporting of AML Non-Compliance

ASA STOCKS (PVT) LTD	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM (AML/CFT) POLICIES, PROCEDURES AND CONTROLS
---------------------------------	---

Employees will report any violations of the Company’s ML compliance program to the ML Compliance Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the CEO. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Overriding effect

In case of any inconsistency in this Policy and prevailing Law, Rules and Regulation, the relevant Law, Rules and Regulations will prevail. Moreover, in case of any requirement is not listed in this policy but mentioned in the applicable Law, Rules and Regulations, same should be treated as part and parcel of this policy.

Future Amendments

The management will review and may amend or otherwise modify this Policy Statement from time to time with the approval of Board of Directors of the Company. Such review will preferably be carried out every year and will take into account among others the revisions in applicable regulatory framework specifically. The AML/CFT Policy & Procedures will be reviewed on as and when required basis but not later than two years.