



# **Anti-Money Laundering Policies and Procedures**

Muhammad Tariq Moti Securities (Pvt) Ltd

# Anti-Money Laundering Policies and Procedures

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## **Anti-Money Laundering Policies and Procedures**

### **Policy Statement**

MTM is committed to full compliance with all applicable laws and regulations regarding anti-money laundering procedures. MTM has adopted and will enforce the provisions set forth in Anti-Money Rules & Regulations in order to prevent and detect money laundering, terrorist financing and other illegal activities.

If MTM, its personnel and/or premises are inadvertently used for money laundering or other illegal activities, MTM can be subject to potentially serious civil and/or criminal penalties. Therefore, it is imperative that every member, officer, director, and employee (each, an “Employee”) is familiar with and complies with the policies and procedures set forth in this Compliance Manual.

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

To ensure that the MTM’s policies and procedures are adhered to, MTM shall designate an Anti-Money Laundering Compliance Officer (the “Compliance Officer”). The Compliance Officer is responsible for establishing and conducting Employee training programs to ensure that all appropriate Employees are aware of the applicable Anti - Money Laundering Laws and Regulations, MTM’s Anti - Money Laundering Policies & Procedures and their responsibilities with respect to these policies.

## Anti-Money Laundering Policies and Procedures

### *OBJECTIVES*

Comply with all Anti - Money Laundering Rules & Regulations of the jurisdictions it operates

Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which MTM or its Employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activity;

Provide for a Compliance Officer who shall ensure adherence to the MTM's Anti-Money Laundering Policies and Procedures;

Require all appropriate Employees to attend anti-money laundering training sessions, so that all such Employees are aware of their responsibilities under MTM's policies and procedures; this Compliance Manual; and as affected by current developments with respect to anti-money laundering events.

## Anti-Money Laundering Policies and Procedures

### *WHAT IS MONEY LAUNDERING*

Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activity 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 instigate, 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. Additionally, the adverse effects, including the adverse publicity to the Firm associated with involvement in money laundering events cannot be emphasized enough.

Money laundering transactions may include:

Advising a potential or existing client on how to structure a transaction to avoid reporting and/or record keeping requirements;

Engaging in any activity while willfully or recklessly disregarding the source of the funds or the nature of the Clients transaction;

Engaging in any activity designed to hide the nature, location, source, ownership or control of proceeds of criminal activity;

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.

## **Anti-Money Laundering Policies and Procedures**

### **CONTROLS TO PREVENT MONEY LAUNDERING**

To put in place internal controls and policies to ensure continuing compliance with the Rules & Regulations

To appoint a Money Laundering Reporting Officer (Compliance Officer)

To establish / enhance record keeping systems for

- All transactions
- The verification of client's' identity

To establish internal suspicion reporting procedures

To educate and train all staff with the main requirements of the Rules &

Regulations Internal controls and policies should be established and recorded in order to:

Ensure that anyone who suspects money laundering knows how to report this information to their Compliance Officer

Provide the Compliance Officer with the means by which the reasonableness of the suspicion can be judged, and thereby assess which suspicious matter should be reported to the Regulatory Authority i.e. FMU (Financial Monitoring Unit).

**Note:** The obligation to report does not depend on the amount involved or the seriousness of the offence. There are no de-minimis concessions.

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### ***ANTI – MONEY LAUNDERING COMPLIANCE OFFICER***

Any Employee shall immediately notify the Compliance Officer if he/she suspects or has any reason to suspect that any potentially suspicious activity has occurred or will occur if a transaction is completed. Employees are encouraged to seek the assistance of the Compliance Officer with any questions or concerns they may have with respect to the MTM's Anti-Money Laundering Policies or Procedures.

Responsibilities of the Compliance Officer include the following:

Coordination and monitoring of MTM's day-to-day compliance with applicable Anti- Money Laundering Laws and Regulations and MTM's own Anti-Money Laundering Policy and Procedures;

Conducting Employee training programs for appropriate personnel related to the MTM's anti-money laundering 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 MTM's anti- money laundering policies and procedures.

## **Anti-Money Laundering Policies and Procedures**

### ***ANTI – MONEY LAUNDERING EMPLOYEE TRAINING PROGRAM***

As part of the MTM's anti money laundering program, all Employees are expected to be fully aware of the MTM's anti-money laundering policies and procedures.

Each Employee is required to read and comply with this Compliance Manual, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands MTM's anti-money laundering policies and procedures.

To ensure the continued adherence to MTM's anti-money laundering policies and procedures, all Employees are required to reconfirm their awareness of the contents of this Compliance Manual by signing the acknowledgement form annually, or more frequently, as required by the Compliance Officer.

All Employees are required;

At a time specified by the Compliance officer, to undertake training programs on anti-money laundering policies 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.



## Anti-Money Laundering Policies and Procedures

### *CLIENT IDENTIFICATION*

#### **GENERAL**

MTM's anti-money laundering policies 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.

And to verify that any third party upon whom the MTM relies for Client identification, such as a bank and other financial intermediary, or any other third party adheres to the same standards.

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

MTM has confirmed the Client's identity and that the Client is acting as a principal and not for the benefit of any third party unless specific disclosure to that effect is made; or

If the Client is acting on behalf of others, MTM has confirmed the identities of the underlying third parties.

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 6.4.

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 MTM's Client Records Retention policies (see section 8).

#### **CLIENT IDENTIFICATION PROCEDURES FOR NATURAL PERSONS**

MTM shall take reasonable steps to ascertain satisfactory evidence of an individual Client's name, address, date and place of birth, including the employer's address and the source of the Client's funds.

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

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CNIC, SNIC, NICOP, ARC or POC, Passport or other official government-issued identification; and

Power of attorney, where applicable, along with contact details of the attorney.

Declaration over Application Form for Sahulat Account/ Simplified KYC which includes;

- Identity Details of the Applicant
- Address Details of the Applicant
- Details concerning Annual Income, Source of Income, Occupation and Shareholder Category
- Bank Details
- Custody, Clearing and Settlement Agent

Additional information which may be requested includes:

1. Bank statement or utility bill; or other residential identifying information;
2. Bank references.

### **CLIENT IDENTIFICATION PROCEDURES FOR CORPORATIONS, PARTNERSHIPS, TRUSTS AND OTHER LEGAL ENTITIES**

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

MTM will obtain certain of the following, as appropriate under the circumstances:

Copy of resolution granting the Directors/Principals authority to act;  
Articles of Memorandum and Articles of Association;  
Certificate of Incorporation;  
List of Directors/Principals;  
Authorized signatory list;

Description of the Client's primary lines of business;

Publicly available information from law enforcement agencies or regulatory authorities; and/or

Client's annual report and/or, if appropriate, Client's bank references.

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### **HIGH-RISK CLIENTS**

The Compliance Officer will provide and will continuously update a list of the types of Clients that MTM 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:

A Senior Foreign Political Figure, any member of a Senior Foreign Political Figure's Immediate Family, and any Close Associate of a Senior Foreign Political Figure;

Any Client resident in, or organized or chartered under the laws of, a Non-Cooperative Jurisdiction;

Note: Non-Cooperative Jurisdiction means any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering ("FATF")

Any Client who gives the Compliance Officer any reason to believe that its funds originate from, or are routed through, an account maintained at an "offshore bank", or a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction; and

Any Client who gives the Compliance Officer any reason to believe that the source of its funds may not be legitimate or may aid terrorist activities.

### **ENHANCED CLIENT IDENTIFICATION PROCEDURES FOR 'HIGH-RISK' NATURAL PERSONS**

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

Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;

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;

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

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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.

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:**

Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;

Reviewing recent changes in the ownership or senior management of the Client;

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;

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

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### ***GENERAL REPORTING PROCEDURES***

A person in the organization is nominated to receive disclosures under this regulation (“the Compliance Officer”)

Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to the Compliance Officer.

Where a disclosure is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is available to MTM and determine whether it gives rise to suspicion, and;

Where the Compliance Officer does so determine in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority after obtaining an independent legal advice.

### **OTHER OFFENCES – FAILURE TO REPORT OFFENCES**

Failure by an individual in the regulated sector to inform the Regulatory Authority or the MTM’s Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering.

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

### **DE MINIMIS CONCESSIONS**

Note that the obligation to report does not depend on the amount involved or the seriousness of the offence. There are no de minimis concessions.

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### ***CLIENT RECORDS RETENTION***

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

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

## Anti-Money Laundering Policies and Procedures

### *REVIEW OF EXISTING CLIENT BASE AND DETECTION OF SUSPICIOUS ACTIVITY*

The Compliance Officer shall coordinate a periodic review of the MTM's existing Client list, and ensure the adequacy of due diligence performed on existing Clients.

In addition, MTM's policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious, as described below.

For example, in some circumstances, the following activities, none of which per se constitutes suspicious activity, may be indicative of activity that may require further investigation:

Client exhibits an unusual concern regarding MTM's compliance, particularly with respect to the Client's identity, type of business and assets, or the Client is reluctant or refuses to reveal any information concerning business activities, or the Client furnishes unusual or suspect identification or business documents;

Client wishes to engage in investments that are inconsistent with the Client's apparent investment strategy;

Client (or a person publicly associated with the Client) is the subject of news reports indicating possible criminal, civil or regulatory violations;

Client appears to be acting as the agent for another entity but declines, or is reluctant, without legitimate commercial reasons, to provide any information in response to questions about such entity;

Client has difficulty describing the nature of his or her business or lacks general knowledge of the industry he or she is apparently engaged in;

Client attempts, with unusual frequency (taking into account the differences between Clients and Intermediaries as appropriate), to make investments, redemptions/withdrawals, or transfers;

Client engages in unusual or frequent wire transfers (taking into account the differences between Clients and Intermediaries as appropriate), particularly to unfamiliar bank accounts;

Client transfers funds to jurisdictions other than its home jurisdiction; and

Client attempts to make or requests transactions in cash or cash equivalents.

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

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

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

### **PROCEDURE WHERE ENHANCED DUE DILIGENCE IS REQUIRED**

Below is the procedure whereby risk assessment of client due diligence instigate the MTM to conduct Enhanced Due Diligence (EDD);

MTM shall monthly prepare a compliance status report, whereby the net traded/ Investment value (value bought less value sold) would be equal to or greater than the below thresholds;

- For Corporate Entities minimum threshold is PKR. 25 million.
- For Individual Investor minimum threshold is PKR. 5 million

If any client is in non-compliance of the above specified threshold limits than that client EDD will be conducted and its Suspicious Transaction Report is being initiated, the same is being kept in record and trail of the same is being maintained at all material times.

MTM will also maintain a summary report of the investors, whom falls under the above category. The summary report covers the following details;

- At Client Level: UIN number, Name, Address Contact Number, Email address, Profession
- At Risk Category Level: Initial risk level and Revision made thereunder.
- Compliance Status
- Action initiated, if any required.



## **Anti-Money Laundering Policies and Procedures**

### ***REGULAR REVIEW/AUDIT OF THE MANUAL***

A regular review of the program should be undertaken to ensure that it is functioning as designed. Such a review could be performed by external or internal resources, and should be accompanied by a formal assessment or written report.

If and when regulations are amended concerning reporting of suspicious activities, MTM will amend this Compliance Manual to comply with those regulations.