



GROWTH SECURITIES (PVT) LTD.

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Trading Right Entitlement Certificate Holder of Pakistan Stock Exchange Limited
(Formerly: Karachi Stock Exchange Limited)

Know Your Customer (KYC), Anti-Money Laundering and Countering Financing of Terrorism and Customer Due Diligence (CDD) Policy

KYC Form for Customer Identification

NCCPL being the Centralized KYC Organization (CKO) has framed its Regulations and specified KYC Form

In this respect, the Company shall perform its KYC of its client on the prescribed KYC form of the NCCPL, conduct biometric verification, upload/update the KYC information on KYC system/application provided by NCCPL and submit the required documents to NCCPL for verification and approval.

The Company shall perform KYC of its all its clients of Equity, Commodity and Money Market as per the applicable regulations amended from time to time.

The Customer care division shall perform the KYC of clients over the phone.

For customers visiting the office in person it will be required to bring original CNIC/NICOP/Passport or any other photo identity issued by the Government along with one duly attested legible photocopy.

For KYC over telephone the Customer care shall ensure that phone call is made on the number provided by the customer on the AOF. In case of more than one numbers, the Customer care shall make phone calls on all the numbers to verify them. The Customer care shall only use office phone provided for this purpose attached to the computerized recorded line.

For clients visiting any of the branches of the Company, the concerned branch manager shall either himself carry out the above procedure or assign a senior staff member for this purpose.

KYC Process & Risk Assessment

The company shall identify clients having their businesses or residential/permanent address near to porous border areas such as Peshawar, Thar, Cholistan, Baluchistan, and other porous border areas of Pakistan. The risk classification of such identified clients shall be specified as High Risk, however, after conducting the enhanced due diligence, the management may change the risk factor depending the documentation related to identity of the client, nature, proof and level of income and trading activity of the concerned client.

The Company shall ensures to maintain appropriate systems and controls put in place to mitigate the risk against the concerned Terrorist/proscribed Entities/Individuals mentioned in list of individuals and entities notified by UNSC & Ministry of foreign Affairs Government of Pakistan.

The Company shall assign risk rating to businesses/professions exposed to the crimes specified in National Risk Assessment report, notified by the Commission from time to time, which may include Corruption & Bribery, Smuggling, Trafficking in Narcotic Drugs, Tax Crimes, Hawala / Hundi, Terrorism, Including Terrorist Financing, Trafficking in Human Beings and Migrant Smuggling, Arms Trafficking, Fraud and forgery, Kidnapping and Robbery or Theft;

Compliance department will review the KYC form for evaluation of true Customer identification and assessment and risk factor classification. The automated system level KYC form will provide suggestions in accordance with Guidelines on Internal Control Framework and



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Compliance Function of Securities Broker, Securities & Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations 2018 & related guidelines and Centralized Know Your Customer (KYC) Organization (CKO) Regulations, 2017. Based on the information available and following the applicable regulations prevailing at that time, Compliance department will assign a Risk category for each Client.

The Company will assess the risk of AML & CFT whenever new product/service is introduced, new practices or technologies are adopted,

The Company shall take best possible efforts to determine the beneficial ownership of legal arrangements and legal persons.

The Company shall, based on the best of its knowledge and publically available information, determine if the client should be added in the list of Politically Exposed Person (PEP) as required by the regulations.

The Company shall ensure that all AML & CFT requirements are complied with, whenever KYC or AML steps are conducted / performed by any third party on behalf of the company.

The Company shall assess the Correspondent Relationship with clients related to KYC, AML and CFT. In this respect, all required information from respondent institution shall be taken.

The Risk category assigned for each client will be defined in the BackOffice system when the account is being opened. This Risk Categorization will be displayed on all Backoffice and Risk Management reports for easy identification by Company employees handling any task for that client especially handling movement of Cash & Shares.

The company shall maintain adequate system to identify and assess the AML & CFT risks relating to clients, countries, activities and products.

Based on aforesaid highlighted risk categories, the company shall conduct AML & CFT risk assessment and apply risk based approach to prevent or mitigate AML & CFT risk as per the mechanism specified in the AML & CFT guidelines issued by SECP.

Risk Mitigation measures shall be taken if the company accepts clients with High Risk classification, in this respect, the company shall design controls related to geographical diversity, clients, products, volume and size of transaction and dealing through third parties.

Some of Risk Mitigation measures the company may take are given below.

- Determining scope of Identification and verification requirements or ongoing monitoring
- Setting Transaction Limits for clients and Products
- Requirement of senior management approval for opening of account for PEPs and high risk clients
- The company shall refuse to take on or terminate services to clients who want to trade through depositing only cash or submit third party cheques; this shall not be applied to infrequent mistakenly deposited cash or third party cheques, which shall be dealt as per relevant company policy and regulations.
- In case the deposited cash is more than the threshold specified by the FMU / National Executive Committee of Ministry of Finance (notified in the official Gazette), the Company shall file the Currency Transaction Report (CTR) with FMU.

The company shall evaluate the residual risk which is remaining after the adjustment of risk mitigation measures and controls. Accordingly, the company shall enhance its risk mitigation measures.



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Audit of AML & CFT

The company shall conduct audit of AML & CFT through its internal audit function on regular basis to evaluate the effectiveness of compliance related to AML & CFT policies and procedures. The audit shall cover minimum of following:

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

Customer Due Diligence (CDD)

Customer Due Diligence is a continuous process through which a Client information and trading activity data is reviewed by the Compliance Department for any possible change in client's risk profile. Following CDD policy shall be applied on the basis of trading data:

Simplified Due Diligence:

CDD shall be performed by GSPL on following suspicious activities/events.

- Customers who are unknown to the company and verification of identity / incorporation proves difficult;
- Customers who wish to deal on a large scale but are completely unknown to the company;
- Customers who wish to invest or settle using cash;
- Customers who use a cheque that has been drawn on an account other than their own;
- Customers who change the settlement details at the last moment (on settlement date);
- Customers who insist on entering into financial commitments that appear to be considerably beyond their means;
- Customers who have no obvious reason for using the services of GSPL (e.g.: customers with distant addresses who could find the same service nearer their home base; customers whose requirements are not in the normal pattern of the service provider's business which could be more easily serviced elsewhere);
- Customers who refuse to explain why they wish to make an investment that has no obvious purpose;
- Customers who are introduced by an overseas agent based in a country noted for drug trafficking or distribution
- Customers who carry out large numbers of transactions with the same counterparty in small



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- amounts of the same security, each purchased for cash and then sold in one transaction, particularly if the proceeds are also then credited to an account different from the original account;
- Customer trades frequently, selling at a loss
- Customers who constantly pay-in or deposit cash to cover requests for bankers drafts, money transfers or other negotiable and readily marketable money instruments;
- Customers who wish to maintain a number of trustee or customers' accounts which do not appear consistent with the type of business, including transactions which involve nominee names;
- Any transaction involving an undisclosed party;
- Transfer of the benefit of an asset to an apparently unrelated third party, or assignment of such benefit as collateral; and
- Significant variation in the pattern of investment without reasonable or acceptable explanation
- Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring/ reporting thresholds.
- Transactions involve penny/microcap stocks.
- Customer requests GSPL to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial owner), in close chronology.
- Transfers are made to the same person from different individuals or to different persons from the same individual with no reasonable explanation.
- Unusually large aggregate wire transfers or high volume or frequency of transactions are made with no logical or apparent reason.
- Customer invests in securities suddenly in large volumes, deviating from previous transactional activity.
- Customer conducts mirror trades.
- Customer closes securities transaction before maturity, absent volatile market conditions or other logical or apparent reason.

In addition of above, Simplified customer due diligence shall be performed on a monthly basis according to the following criteria:

1. Top 25 Clients in terms of Traded Volume / Value (for individuals and institutions)
2. Top 25 Clients in terms of number of Deposits (for individuals and institutions)
3. Top 25 Clients in terms of number of Withdrawals (for individuals and institutions)

On quarterly basis, 25 clients out of those clients not covered above, shall be selected on randomly basis.

The RMC will review deposit and withdrawal activities of clients highlighted on the basis of aforesaid criteria as per following mechanism.

- Identify such deposits were made through banking instruments other than cheques and get required documentary proof to ensure that the banking instrument were issued from client's bank account. In case if sufficient documentary evidence is not provided by client/trader then Suspicious Transaction Report (STR) shall be filed with FIMU under copy to PSX and SECP. The Risk rating of the client shall be changed to High.
- Identify if deposits were made through any third party cheque(s). If any of such incident is found, the explanation shall be called from respective trader and the data entry officer of



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- GSPL. Furthermore, if the amount is sufficient then the STR shall be filed with FMU under intimation to SECP and PSX. The Risk rating of the client shall be changed to High.

- Identify if deposits which were made in the form of Cash, and the amount was more than allowed regulatory limit or the frequency of such deposits were significant which may create doubts of AML. In this regard, explanation from respective trader/client shall be taken and the same shall be reported to PSX if reasonable answer was not received by trader/client. In case the identified deposits were significant, the STR shall be filed with the FMU under intimation to SECP and PSX. Furthermore, The Risk rating of the client shall be changed to High.

Enhanced Due Diligence:

The enhanced customer due diligence shall be performed in accordance with Securities & Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations 2018 & relevant guidelines.

In this regard, following activities shall be performed.

- GSPL will prepare enhanced due diligence (EDD) report on Quarterly basis
- Review the EDD report and identify clients where trading as compared to their annual income enhanced significantly and change the Risk profile of such clients as High. Furthermore, the deposit activity shall also be reviewed to identify any illegal/unauthorized/prohibited deposit types. If found, the STR shall be filed with FMU under intimation to PSX and SECP.
- Inform department heads (Operations & RM) about opening of a High Risk Client and changing in the risk profile to High category.
- Obtain approval from Senior Management to establish or continue business relations with customers that are identified as high risk.

Training of KYC & Due Diligence

Quarterly reviews will be conducted on KYC & CDD policies and processes to keep it up to date with the amended rules/regulation and any other improvements available. Special training sessions will be conducted on quarterly basis to ensure that all employees realised that KYC and CDD is not a one-off event rather a continuous process whereby customer information and data must be updated regularly.

Furthermore, training related to Anti-money (AML) shall also be provided to relevant staff, which shall also cover following:

- AML & CFT Regulations
- KYC, AL & CFT policies of the Company;
- Process of CDD and EDD;
- National Risk Assessment (NRA) reports;
- Crimes specified in NRA report and possibility of money laundering.