



**Bawa Securities (Pvt.) Limited (BSL)**

**Anti-Money Laundering & Counter  
Financing Terrorism**

**(Policy & Procedures)**

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# 1 INTRODUCTION AND STATEMENT

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Money Laundering (**ML**) and Terrorist Financing (**TF**) are crimes that threaten a country's overall financial sector reputation and expose financial institutions to significant operational, regulatory, legal and reputational risks, if used for **ML** and **TF**. An effective Anti-Money Laundering and Countering the Financing of Terrorism (**AML / 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**.

In accordance of the Guidelines and Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018, Bawa Securities Pvt Limited (**BSL**) being a Regulated Person as defined in the Regulations is committed to comply with all the relevant and applicable laws and obligations regarding the anti-money laundering procedures. **BSL** has adopted the provisions of the **AML / CFT** Regulations and shall take appropriate steps to identify, assess and understand its money laundering and terrorism financing risks and shall conduct a comprehensive compliance program.

Board of Directors and Senior Management of **BSL** are engaged in the decision making on **AML / CFT** policies, procedures, control and take ownership of the risk based approach. They all are well aware of the level of **ML** and **TF** risks.

**BSL** has designated a Compliance Officer who shall be responsible for maintaining an effective **AML / CFT** compliance culture and will conduct training for its staff to identify suspicious activities and adhere with the internal reporting requirements for compliance with the Regulations. The Compliance Officer shall report directly to the Board of Directors or to another equivalent Executive Position or Committee. He shall ensure that **BSL** is fully complied with the relevant provisions of **AML / CFT** Regulations. He shall monitor, review and update the policies and procedure. He shall timely report of the suspicious transactions.

If **BSL** in personnel and/or premises is contravenes or fails to comply with the provisions of **AML/CFT** Regulations and policies framed there under, shall be liable to pay such penalties.

## 2 OBJECTIVE

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- To understand the obligations of establishing an effective **AML/CFT** regime to deter criminals from using financial system for **ML** and **TF** purposes.
- To develop a comprehensive **AML/CFT** compliance program to comply with the all the applicable Rules and Regulations.
- To give priority, to establish and maintain an effective **AML/CFT** compliance culture and must adequately train its staff to identify suspicious activities and adhere with the internal reporting requirements for compliance with the regulations.
- To conduct a training program for the awareness of the staff so that in the event of a suspicious activity being discovered, they are aware of the reporting chain and the procedures to be followed.
- To oversee the compliance function.
- To designate a Compliance Officer who shall ensure that **BSL** is fully complied with the relevant provisions of **AML / CFT** Regulations, who shall ensure that the reporting of suspicious transaction is made and shall monitor, review and update the policies and procedure. He shall be the point of contact with the supervisory authorities.

## 3 MONEY LAUNDERING

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The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.

As money laundering is a consequence of almost all profit generating crime, it can occur practically anywhere in the world. Generally, money launderers tend to seek out countries or sectors in which there is a low risk of detection due to weak or ineffective anti-money laundering programs.

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

### **3.1 MONEY LAUNDERING USING INVESTMENT RELATED TRANSACTIONS**

- a) purchasing of securities to be held by the institution in safe custody, where this does not appear appropriate given the customer's apparent standing;
- b) request by customers for investment management or administration services (either foreign currency or securities) where the source of the funds is unclear or not consistent with the customer's apparent standing;
- c) large or unusual settlements of securities in cash form; and
- d) buying and selling of a security with no discernible purpose or in circumstances which appear unusual

### **3.2 SUSPICIOUS TRANSACTIONS**

- a) any unusual financial activity of the customer in the context of the customer's own usual Activities
- b) any unusual transaction in the course of some usual financial activity
- c) any unusually-linked transactions
- d) any unusual method of settlement
- e) any unusual or disadvantageous early redemption of an investment products
- f) any unwillingness to provide the information requested

## **4 TERRORIST FINANCING**

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Terrorist financing refers to activities that provide financing or financial support to individual terrorists or a group involved in terrorist activities. Terrorists derive income from a variety of sources such as Financial Support, Revenue generating activities and etc.

## **5 LEGAL PERSONS**

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Legal person refers to any entities other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include companies, bodies corporate, foundations, partnerships, or associations and other relevantly similar entities.

## 6 COMPLIANCE OFFICER

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A Compliance Officer has been designated who shall ensure that **BSL** is fully complied with the relevant provisions of **AML / CFT** Regulations, who shall ensure that the reporting of suspicious transaction is made and shall monitor, review and update the policies and procedure. He shall be the point of contact with the supervisory authorities. The officer will be responsible for the following areas:

- a) maintaining an effective **AML / CFT** compliance culture
- b) ensures that **BSL** is fully complied with the relevant provisions of **AML / CFT** Regulations
- c) conduct training for its staff to identify suspicious activities
- d) monitor, review and update the policies and procedure
- e) timely report of the suspicious transactions
- f) timely submission of accurate data
- g) to authorize the account to be processed
- h) other responsibilities as the **BSL** may deem necessary in order to ensure compliance with the Regulations.

## 7 EMPLOYEE TRAINING

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**BSL** shall ensure that all the appropriate staff, receive training on **ML** and **TF** prevention on a regular basis, all staff is fully conversant with procedures and its importance. Training will be provided once in a year, or where there are changes in the relevant laws. **BSL** shall provide staff training in the recognition and treatment of suspicious activities. **BSL** shall ensure that those who deal with the public, such as sales person, opening of new account and dealing with existing customers, should be aware of the need to verify the customer's identity.

## 8 POLICIES AND PROCEDURES

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### **8.1. CUSTOMER DUE DILIGENCE AND IDENTIFICATION PROCEDURES**

**BSL** shall verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or may complete verification after the establishment of the business relationship.

To comply with the Regulations, **BSL** shall ensure the following:

- identify the customer or beneficial owner and verifying the customer's / beneficial owner's identity on the basis of documents, data or information obtained from customer and / or from reliable and independent sources, data or information including verification of CNICs from Verisys.
- understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship
- take steps to know who their customers are
- not to keep anonymous accounts or accounts in fictitious name
- their customers are, who they purport themselves to be
- differentiate the extent of CDD measures, depending on the type and level of risk for the various risk factors
- examine, as far as reasonably possible, the background and purpose of all complex, unusual large transactions, and all unusual patterns of transactions, that have no apparent economic or lawful purpose

### **8.2. ENHANCED DUE DILIGENCE**

- **BSL** shall conduct Enhanced Due Diligence on individuals and / or entities based in high-risk countries
- **BSL** shall ensure to have **AML/CFT** measures consistent with the requirements of Pakistan
- **BSL** shall adopt risk management procedures with respect to the conditions under which an applicant may utilize the business relationship, prior to verification

### **8.3. (a) PROCEDURE FOR INDIVIDUALS**

For identifying the customer, the following information / documents will be obtained and the same will be recorded with Account Opening Forms:

- Account Holder Name
- Mailing Address
- Permanent Address
- NTN No.
- Jurisdiction of Residence

- Nationality
- Email Address
- Details of Bank Account
- Source of Income
- Computerized National Identity Card No.

**(b) DOCUMENTS**

Any one of the following valid identity will be required:

- Computerized National Identity Card (CNIC) issued by NADRA
- National Identity Card for Overseas Pakistani (NICOP) issued by NADRA
- Pakistan Origin Card (POC) issued by NADRA
- Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior (local currency account only)
- Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only)

**8.4.(a) PROCEDURE FOR PARTNERSHIP, TRUST, LIMITED****COMPANIES/CORPORATIONS, ANY OTHER LEGAL ENTITY**

BSL shall take all reasonable measures and satisfactory evidence of any entity to ensure the compliance of the Regulations.

The following information will be obtained and the same will be recorded with Account Opening Forms:

- Name of Company
- Registration No.
- Date of Incorporation
- Business Commenced on
- Status
- Type
- Email, Website
- Contact Numbers
- Mailing Address
- NTN Number
- Contact Person
- Bank Account
- Expected Mode of Transactions

**(b) DOCUMENTS**

- Certified copies of:

- i Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account
- ii Memorandum and Articles of Association
- iii Certificate of Incorporation
  
- iv Certificate of Commencement of Business, wherever applicable
- v List of Directors on Form-A / Form-B issued under Companies Act, 2017, as applicable and Form-29 where applicable
- vi Photocopies of identity documents for all the directors and persons authorized to open and operate the account

### **8.5. VERIFICATION OF IDENTITY DOCUMENTS**

The identity documents shall be validated through NADRA verisys or NCS data base only.

### **8.6. TIMING OF VERIFICATION**

**BSL** shall undertake verification, prior to entry into the business relationship or conducting a transaction.

### **8.7. PROGRAMS AND SYSTEMS**

- **BSL** shall have a system in place to monitor the risks
- **BSL** shall have systems in place to identify and assess **ML** and **TF** risks that may arise in relation to the development of new products and new business practices
- **BSL** shall have systems and controls that are comprehensive and proportionate to the nature, scale and complexity of their activities and the **ML** and **TF** risks, they identified

### **8.8. MODE OF PAYMENT**

All payments shall be made through cross cheques or other banking channels and where payment is made through cross cheques, **BSL** shall keep copy of the cheques issued, for the purposes of record.

**BSL** shall ensure that amount in excess of Rs. 25,000/- will only be received from a customer, in CASH, in exceptional circumstances, where it becomes necessary and such instances will be reported to the Stock Exchange.

### **8.9. RISK ASSESSMENT**

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

- i its customers
- ii the jurisdiction or countries, its customers are from
- iii the product, services, transactions and delivery channels of **BSL**

The appropriate steps as mentioned above shall include:

- i documenting the risk assessment
- ii considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied
- iii keeping the risk assessment up-to-date
- iv categorizing the overall entity level risk at high, medium or low based on the result of risk assessment
- v having appropriate mechanisms to provide its risk assessment information to the Commission

#### **8.10. RISK MITIGATION AND APPLYING RISK BASED APPROACH**

- I)** **BSL**, before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied, take into account, all the relevant risk factors such as products and services, delivery channels, types of customers, or jurisdiction within which it or its customers do business.
- II)** **BSL** shall understand, identify and assess the inherent **ML** and **TF** risks posed by its customer base, products and services offered, delivery channels and the jurisdictions within which or its customers do business, and any other relevant risk category.
- III)** The senior management will understand the nature and level of the risks that they are exposed to and ensure that systems and processes are in place to identify, assess, monitor, manage and mitigate **ML** and **TF** risks.
- IV)** Where there will be higher risk, **BSL** will take enhanced measures to manage and mitigate those risks.
- V)** Where the risks are lower, simplified measures will be taken. In case of suspicious transaction, simplified measures will not be considered. In case of some very high risk situations which are outside **BSL's** risk tolerance, the Company may decide, to exit from the relationship.

#### **8.11. POLITICAL EXPOSED PERSONS (PEPs)**

**BSL**, in relation to PEPs, in addition to performing normal due diligence measures, shall ensure

- I) to have appropriate risk management systems to determine whether the customer is a politically exposed person
- II) to obtain senior management approval for establishing business relationships with such customers
- III) to take reasonable measures to establish the source of wealth and source of funds
- IV) to conduct enhanced ongoing monitoring of the business relationship

In assessing the **ML** and **TF** risks of a PEP, **BSL** shall consider factors such whether the customer who is a PEP:

- i is from a high risk country
- ii has prominent public functions in sectors known to be exposed to corruption
- iii has business interests that can cause conflict of interests (with the position held)

#### **8.12. RECORD KEEPING**

- 1) **BSL** shall ensure that all the information obtained in the context of CDD is recorded
- 2) **BSL** shall retain the documents for at least 5 years after the end of the business relationship
- 3) **BSL** shall, however, retain those documents where there is a suspicious activity or **BSL** is well aware of a continuous investigation / litigation into **ML** and **TF**, relating to a customer or a transaction, till the confirmation is received that the matter has been concluded.

#### **8.13. REPORTING**

- 1) **BSL** shall report to SECP of any suspicious UIN through NCCPL terminal, on a fortnightly basis. However, if there is no suspicious UIN, the **BSL** will submit “NIL” report.

#### **8.14. EXISTING CUSTOMERS**

- 1) **BSL** shall apply CDD 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.

#### **8.15. ONGOING MONITORING**

- 1) As CDD is not a one-time exercise, once the identification procedures have been completed and the business relationship is established, **BSL** will conduct monitoring to ensure that it is consistent with the nature of business stated when the relationship / account was opened. **BSL** shall conduct ongoing monitoring of their business relationship

with their customers which includes scrutinizing the transactions undertaken throughout the course of the business relationship with a customer.

#### **8.16. REGULAR REVIEW**

- 1) BSL shall, on a regular basis, conduct an AML / CFT audit / review to independently evaluate the effectiveness of compliance with AML / CFT policies and procedures.

#### **8.17. SCREENING OF EMPLOYEES**

- 1) BSL ensures that at the time of opening of account proper screening of prospective client is being done. BSL performs screening of clients through proscribed persons/organization list available in its back office which is updated timely through UNSC and NACTA websites. Apart from this BSL performs screening of its existing clients through the same database at regular intervals.

#### **8.18. RIGHTS AND RESPONSIBILITIES OF COMPLAINEE OFFICER**

- 1) The compliance officer shall check the SAOF along with all annexures before allowing the customer to start business relationship with the securities broker.
- 2) If there is any discrepancy in account opening process, the compliance officer shall communicate the same to dealers/front office/sales person for rectification before start of business relationship
- 3) The compliance officer shall do the risk assessment of the customer as per AML/CFT risk assessment matrix annexed to SECP guideline on AML/CFT Regulations.
- 4) The compliance officer shall conduct enquiries regarding complex, unusual transactions and unusual pattern of transactions, their background and document their results properly. He may make such transactions available to relevant authorities upon their request.
- 5) The compliance officer will also be responsible to ensure compliance with other rules and regulations applicable to securities broker under securities broker (Licensing and operations) Regulations, securities act, companies act, circulars/directives issued by the regulators.

#### **8.19. CURRENCY TRANSACTION**

- 1) BSL shall ensure to monitor and report the suspicious currency transactions to financial monitoring unit established by federal government.
- 2) The transactions which are out of character, are inconsistent with the history, pattern or normal operations of the account or are not commensurate with the level of income of the customer shall be viewed with suspicion, be properly investigated and shall be reported to FMU.

- 3) BSL shall ensure that even the attempted suspicious transactions should be reported regardless of the amount of transactions whereas currency transactions should be reported for the transaction of Rs.2 million and above.
- 4) In case of suspicion on customer of ML/TF, BSL shall ensure that the CDD process is completed without tipping off the customer. However where the RP believes that performing the CDD process will tipoff the customer, RP shall file STR without completing the CDD process.

#### **8.20. AFGHAN REFUGEES**

- 1) BSL shall ensure that before establishing business relationship with people from high risk jurisdiction areas as identified in AML/CFT regulations, the person is not an Afghan refugee or a person's nominee or joint holder is not an afghan refugee. There is a high risk that Afghan refugees are involved in various crimes like drug trafficking, kidnapping and terrorist activities.

#### **8.21. CROSS BORDER FUNDS TRANSFER FOR FOREIGN CLIENTS.**

- 1) Foreign wire transfers are usually used to hide the actual transactions occurred BSL ensures that if any amount is received from cross border the amount is actually transferred from the client through legal process of funds transfer methods in foreign countries like SWIFT not through various financial institution to layer the transactions.