

TOPLINE SECURITIES LIMITED

INTERNAL CONTROL & AUDIT POLICY

1. Introduction

Topline Securities Limited established to provide capital market brokerage. Topline Securities Limited would be governed by the rules and regulations set by the Securities and Exchange Commission of Pakistan ("SECP"), Pakistan Stock Exchange ("PSX").

The policies and guidelines contained in this manual will provide the basis for managing the business of the entity as well as for development of further detailed procedures for day-to-day operations.

These policies are in compliance with the guidelines issued by prevailing rules and regulations of the SECP, PSX and have also adopted the industry best practices. This version of the policy primarily focuses on the equity brokerage business.

2. Objectives

All the transactions undertaken by Topline Securities Limited have to be in compliance with the policies and guidelines highlighted in this policy manual. It is incumbent on all the head of departments to ensure compliance with the laid down principles.

The key objectives of this policy are:

2.1. To ensure the protection of the interests of all the stakeholders including but not limited to the clients, shareholders and employees;

2.2. To form the basis for seamless operations of the company;

2.3. To develop the framework to manage all risks including but not limited to operational, legal, market and credit risks arising out of transaction with individual clients;

2.4. To ensure compliance with the requirements of the regulatory authorities;

2.5. To protect the integrity and reputation of the company, directors, shareholders, associated companies, directors and employees; and

2.6. Any other objective that the management deem appropriate

3. Nature of Equity business Transactions

The company would undertake the following types of transactions on behalf of client unless the PSX introduces new types of transactions

3.1. Ready Board Transactions

All the stocks listed at the PSX are traded at the Ready Board Counters.

The settlement of these trades can be undertaken through T+2 under normal circumstances that are settled through T+1 and T+0 for spot transactions (stock is declared spot during the book closure period for the companies that have announced dividends or other benefits).

3.2. Future and Provisional Transactions

The PSX has developed an organized market for certain scripts for the trading of future contracts of sale-purchase of stocks listed on the ready board. The trading is undertaken in exactly the same manner as ready board transactions through KATS; however these are settled at the value date of the future contract.

The companies that apply to the PSX for listing after the approval of the prospectus and 7-14 days prior to the subscription date comes on the provisional counter for trading. The transactions are settled once the company is listed on ready board counter.

3.3. Margin Trading and Margin Financing

Margin trading as defined by the Margin Trading Rules, 2004 is purchase of securities by broker on behalf of his client through financing provided by him against certain margin deposit.

Margin trading (MTS) is being established as a replacement of the Badla transactions as a mean of financing. In this respect PSX has laid down a time bound action plan under which the Badla transactions will be completely phased out till August 2005 or such other date as notified by PSX.

Under these transactions financing for purchase of securities will be available from the brokers upon deposit of certain amount of margin and execution of a margin agreement with the broker. Under this agreement the broker will be authorized to mortgage, pledge or hypothecate the securities deposited as margin or bought on behalf of client against the financing provided. Margin deposited as collateral against financing will be maintained at level prescribed by SECP at all times and the client will be required to replenish the margin in case of any shortfall.

Under Margin trading rules limits are imposed on the maximum amount of financing provided to individual and corporate clients and these limits are linked to the capital adequacy requirements

4 Segregation of Operations

Operations will be segregated between the front office and back office.

4.1 Front Office

Front office (sales department) shall be responsible:

4.1.1 For developing client base and generating business;

4.1.2 For development of business generation plan and preparation of reports for the perusal and information requirement of the management;

4.1.3 To ensure that no business is carried out with any suspended, expelled or defaulted TREC holder of the Stock Exchange;

4.1.4 To ensure that the client has a valid account with the company before entertaining any trade request;

4.1.5 For taking orders from clients on recorded lines and executing them through KATS.

4.1.8 To ensure that every deal is executed within the parameters approved by the management including but not limited to client trade limits, margin requirements etc.

4.1.9 For verbal confirmation of orders placed by the client on recorded lines;

4.1.10 To liquidate the position of the client on instruction of the Risk Department and upon approval of the CEO if margin is not replenished by the client within such time as approved by the management from time to time.;

4.1.11 To ensure that no margin financing and margin trading facilities are extended to individuals and entities who are not eligible

4.1.12 For taking all the necessary steps that includes market information and verification of margin to ensure adherence of commitment by the client;

4.1.13 For maintaining the knowledge base to be able to not only advise the client but also advise the management on risk attached to the open or possible exposure; and

4.2 Back Office

The back office comprises of the Operation & Risk Department and Finance Department. The Operations & Risk Department will be responsible to carry out all the backoffice work including ensuing compliance with relevant rules and regulations.

6 Risk Management

Risk management, like in any other financial institutions, is the most critical element in the brokerage house. The risk is mitigated or managed through risk assessment, margin requirement and trading limits. All these tools are used on different classes of clients based on their risk profile.

7 Client Selection Criteria

Only those clients would be entertained who have gone through a system of KYC and CDD. In view of the guidelines of the regulators to prevent money laundering and bad credit, it is incumbent on the credit document initiators and evaluators to make all the reasonable efforts to know the client and be prudent in disposing their fiduciary responsibilities. The policy advises that the following steps may be undertaken before accepting any account:

9 Margin Requirement

10 The margin requirement guidelines are as follows:

- 9.1 No margin requirement will be placed for clients trading only in ready delivery market.
- 9.2 The margin requirement in case of client availing margin financing facilities shall be fixed in accordance with Margin Trading Rules.
- 9.3 Margin deposited can be in the form of cash and / or "Acceptable Securities".
- 9.4 Only CDC eligible shares and securities approved by CEO will be accepted as valid securities.
- 9.5 In case of client having a margin financing agreement with the company, shares of listed companies and government securities approved by the PSX and SECP for the purpose of margin trading and margin financing will be accepted as valid securities.

- 9.6 Different slabs for haircut/discount will be used to value securities. The haircut/discount will depend upon the fundamentals and liquidity of stocks.
- 9.7 The list of securities shall be reviewed every month and changes will be made accordingly and intimated to clients.
- 9.8 For any change in policies on margin requirements, the client is to be given a three day notice to adjust margin as per the SECP regulations.
- 9.9 Only the authorized person in the operation department will be authorized to input or make any changes in the security deposit position in the system. This will be done only upon receipt of written confirmation either from the Accounts Department or the Settlement that the security deposit has been received.
- 9.10 Margin deposit from client availing margin financing facilities will be maintained in accordance with limit specified by the SECP at all times.
- 9.11 The margin requirement may be reviewed and revised periodically by the management based on the credit worthiness and the financial strength of the client. The requisition for revision in margin requirement shall be raised by CFO along with detailed justification of the any recommended change. The request of revision in margin requirement shall be checked against the credit history and financial position of the client.

24 General Guidelines and Controls

The following are general-purpose guidelines issued in order to further ensure seamless operations of the company:

- 24.1 Controlling the activities of all personnel will be the responsibility of the management.
The management will develop clear cut policies on the authorities and responsibilities of the employees.
- 24.2 Salesperson, dealers and other staff share equal responsibility for maintaining confidentiality of their transactions. No information should be disclosed to a third party without explicit permission from all the parties involved and the management of Topline Securities Limited rights.
- 24.3 The amount deposited as security margin by the account holder (s) with the broker shall only be used for the purposes of dealing in securities, such as trading and settlement of securities.
- 24.4 The Topline Securities Limited, as per the regulations of SECP, shall be authorized to act on the verbal instructions of the account holders. However, the company will provide confirmation of the executed transactions by email or sms.
- 24.5 All the rules and regulations of SECP and PSX along with other law of the land will be complied with and will not engage in any transactions that are not in conformity with the prevalent laws.
- 24.6 Clients have to inform the company of any discrepancy in confirmations and ledger statements within one business day of the receipt of the statements.
- 24.7 The company is not bound to disclose any information regarding clients to any third party unless there is a written request from regulators.
- 24.8 The management may appoint Head of Settlement as Head of Operations in his absence.
- 24.9 It would be the responsibility of the company to make an effort that the clients are aware of the rules and regulations of the company and the risk to which they are exposed.

Responsibilities of the Executive Committee

- (a) The Executive Committee shall be appointed by the Board of Directors and shall consist of three members, one of whom shall always be the Chief Executive.
- (b) Executive Committee Meeting would be convened compulsorily in each quarter to evaluate and recommend to management and the Board the approval of new lines of business, underwriting, major additions/ deletions in trading portfolio, changes in investment portfolio, and new transactions in accordance with the Risk Management Guidelines set forth above, this Policy Statement and other internal guidelines.
- (c) The Executive Committee will review the Company's adherence to the Policy Statement and, if needed, make recommendations to the Board of Directors for changes as a result of new developments.
- (d) The Executive Committee will regularly review. The Company's operations based on monthly operating reports (to include a summary of the Company's net capital position based on market value) prepared and submitted by the Chief Financial Officer or other person nominated by the Board of Directors in comparison with the annual budget, and present to the Board for its review at its next regularly scheduled meeting any shortfalls or significant changes in the condition (financial or otherwise), operations, prospects or business plan of the Company.
- (e) The Executive Committee will implement, or as appropriate, will delegate to the Chief Executive to implement, the Company's quarterly capital expenditures budget as reviewed and approved by the Board of Directors.
- (f) The Quorum for the Executive Committee meetings shall be at least two members present in person one of whom shall always be the Chief Executive.

Responsibilities of the Audit Committee

- (a). Recommendation to Board of Directors regarding the appointment of external auditors, subject to shareholders ratification.
- (b). Consideration of any question of resignation/removal of external auditors, audit fee and provision of any service to the Company in addition to audit of its financial statements as are allowed under the Code of Corporate Governance.
- (c). Determination of appropriate measures to safeguard the Company's assets.
- (d). Review of preliminary announcements of results prior to publication.
- (e). Review of quarterly, half yearly and annual financial statements, prior to their approval by the Board of Directors.
- (f). Facilitating the external auditors and discussion with external auditors of major observations arising from interim and final audit.
- (g). Review of management letter issued by the external auditors and management's response thereto.
- (h). Ensuring coordination between the internal and external auditors.
- (i). Review of the scope and extent of the internal audit and ensuring that the internal audit function has adequate resources.

- (j). Consideration of major findings of internal investigations and management response thereto.
- (k). Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- (l). Review of the management statement on internal control system prior to endorsement by the Board of Directors.
- (m). Determination of compliance with relevant statutory requirements.
- (n). Monitoring compliance with the best practice of corporate governance and identification of significant violations thereof.
- (o). Consideration of any other issue or matter as may be assigned by the Board of Directors.”

Responsibilities of the HR Committee

- (a). The Committee is appointed by the Board of Directors. There must be at least three members, of whom one must be the Chief Executive Officer (CEO). In the event of any casual vacancy, appointment is made immediately in the following Board meeting.
- (b). Quorum of the meeting is at least two members present in person, of whom one must be the CEO. The meeting is compulsorily convened once a year
- (c). The Compensation Committee shall review and approve the Company’s compensation and benefits policies generally including reviewing and approving any incentive-compensation plans of the Company. Reviewing compensation policies and guidelines relating to all employees, including annual salary and incentive policies and programs, and material new benefit programs, or material changes to existing benefit programs. In reviewing such compensation and benefits policies, the Compensation Committee may consider the recruitment, development, promotion, retention and compensation of senior executives and other employees of the Company and any other factors that it deems appropriate.
- (d). Monitor and evaluate matters relating to the compensation and benefits structure of the Company as the Compensation Committee deems appropriate, including providing guidance to management on significant issues affecting compensation philosophy or policy and review and approve compensation policies regarding CFO, Company Secretary, Internal Auditors and other senior executive officer compensation.

- (e). The Compensation Committee shall, in consultation with the CEO, review the CEO's assessment of senior executives (including CFO, Company Secretary & Internal Auditor), oversee an evaluation of the performance of the Company's senior executive officers and approve the annual compensation, including salary, bonus, incentive and equity compensation, for the executive officers. Review the structure and competitiveness of the Company's executive officer compensation programs considering the following factors:
 - the attraction and retention of executive officers;
 - the motivation of executive officers to achieve the Company's business objectives; and
 - the alignment of the interests of executive officers with the long-term interests of the Company's shareholders.
- (f). The Compensation Committee shall periodically review the Company's management organization structure and the CEO's proposals for changes to that structure and report any significant organizational changes, along with the Compensation Committee recommendations, to the Board.
- (g). The Compensation Committee shall annually review the Company's succession plans. The Compensation Committee shall monitor the progress and development of executives in accordance with the succession plans and annually review the adequacy of the succession candidates to foster timely and effective executive continuity.

Responsibilities of Management Committee

- (a). Members of the Management Committee (MC) shall comprise of all the department heads.
- (b). Chairman of the meeting shall be the CEO.
- (c). The basic purpose of the Management Committee is to discuss and take necessary decisions relating to day to day affairs of the Company which require contribution from the department heads. The Committee shall also track the performance of the company vis-à-vis budget and shall ensure smooth running of operations.
- (d). Company Secretary shall be the secretary to the Management Committee who shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meeting together with the supporting explanatory documentation to members prior to each meeting.
- (e). The quorum for the Management Committee shall be at least 3 members including CEO.
- (f). The Management Committee shall meet once in each month. The Chairman of the Committee may call additional meeting if needed.
- (g). All management related issues will be discussed in the management committee meetings.
- (h). The Management Committee shall establish IT Steering Committee which shall be responsible to oversee IT Performance and its functions and activities.

Responsibilities of Risk Committee

- (a). Members of the Risk Committee (RC) shall comprise of COO, CFO and Head of Risk Management & Compliance.

(b). Chairman of the meeting shall be the CFO.

(c) The basic purpose of the Committee is to:

- Review Operational risk policy of the Company on a period basis and recommend changes accordingly
- Check on monthly basis operational risks faced by the company and corrective measures taken to resolve and mitigate the risk,
- Define future course of action to avoid operational risks Develop & Monitor Key Risk Indicators (KRIs) and their thresholds. Review DVP assessment of clients and recommend approval to relevant authorities
- Review Margin Eligible Securities list and recommend approval to the CEO on periodic basis
- Develop thresholds' exceptions for debit and margin reports and take action accordingly
- Establish enterprise risk managements parameters and monitor them on a periodic basis
- Communicate with the regulatory bodies for evaluation of regulatory changes
- Evaluation of Company new product and services in respect of risk management exposure

(e). The quorum for the Committee shall be all 3 members

(f). The Committee shall meet at least once in each month. The Committee may call additional meeting if needed.

Revisions of Policies

Any proposal to amend this Statement of Investment and Operational Policies (including Schedules and Annexure hereto) in any way shall be considered by the Board of Directors only after each member has been given at least 7 Working Days' prior notice, to study and comment on the proposal. Any amendment to this Statement of Investment and Operational Policies (including Schedule 1 hereto) shall only be effective if made by a resolution of the Directors approved by the affirmative votes of not less than the nearest whole number equal to fifty on percent (51%) of the total number of directors of the Company.

COMPANY'S STRATEGY IN PREVENTING MONEY LAUNDERING

1. THE COMPANY'S VULNERABILITIES

Cash based societies and countries without fully comprehensive Anti-Money laundering programs are especially attractive to the launderers. Thus, our own degree of vigilance must reflect these potential vulnerabilities. Cash payments arising from drug related crimes are by no means the only risk. Corruption by various individuals and companies including public officials inevitably involves fraud or theft and handling the proceeds of large scale corruption can produce a serious reputational risk for the Company.

2. COMPLIANCE DEPARTMENT

TSL has established a compliance department with suitable capabilities and enable it to effectively monitor the customers' transactions and make timely reports.

The Head of Compliance department should have skills and experience necessary for satisfactory performance of functions assigned. Head of Compliance will be independent and report directly to the Board of Directors.

The Compliance department will ensure compliance with the requirements of the policies and procedures as well as other regulatory requirements applicable under the relevant legal framework. A record will be maintained of all violation/ noncompliance identified and reported to the BOD and must be available for the inspection of SECP as and when required.

3. STAGES OF DEFENSE

TSL has established the following three stages to combat ML/TF;

1. TSL front office and customer-facing activity

Staff that is involve in dealing outsider including Clients and prospective Customers should know and carry out procedures under the AML/CFT due diligence related policies (available in CDD) to verify the suspicion person at the entry level to the business operations. CDD procedures should be able to provide caution to staff of unusual activity to encounter effectively.

2. The Compliance Officer

The compliance officer should periodically review the effectiveness of company's AML/CFT systems. The TSL has appointed a dedicated Compliance Officer to oversight the Compliance function who will be reporting to the Board of Directors of the TSL and who has access to all customers' records and other relevant information. 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 TSL's AML/CFT Policy & Procedures.

Responsibilities of the Compliance Officer include the following:

- Review of Account Opening Forms and sign off from Compliance perspective;
- Ensuring that the internal policies, procedures and controls for preventing of ML/TF are approved by the board of directors of TSL and effectively implemented;
- Coordination, monitoring, reviewing and updating of TSL's day-to-day compliance with applicable Anti-Money Laundering Laws and Regulations and TSL's own AML/CFT Policy and Procedures;
- Providing assistance in compliance to other departments and branches of TSL;
- Timely submission of accurate data/ returns as required under the applicable laws;
- Monitoring and timely reporting of Suspicious and Currency Transactions to FMU;
- Conducting Employee training programs for appropriate personnel related to the TSL's AML/CFT policy and procedures and maintaining records evidencing such training;
- Receiving and reviewing any reports of suspicious activity from Employees;
- Determining whether any suspicious activity as reported by an Employee warrants reporting to senior management of the Firm;
- Coordination of enhanced due diligence procedures regarding Clients; and Responding to both internal and external inquiries regarding TSL's AML/CFT policy and procedures.

3. Internal audit function

Internal audit should be periodically conduct regarding AML/CFT systems including documentation of the findings and recommendations of the audit staff.

4. Methodology for conducting Risk Assessment

TSL uses Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 and Guidelines issued by Securities and Exchange Commission of Pakistan on Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 to assess TSL risk at entity level.

The risk assessment includes risks from customers, Politically Exposed Persons (PEPs) and high net worth individuals, product/services and transaction, delivery channel in respect of receipts and payments and geographic locations.

The methodology for Risk Assessment has been updated with NRA 2019. TSL uses information of updated NRA to update internal risk assessment of the company. This information includes crimes, Terrorist Financing threats, customers from high risk areas in Pakistan, branch offices alongside porous border in different provinces or business through authorized dealers belonging to porous border and transfers from high risk jurisdictions.

Under the NRA 2019 methodology, using the TF module, the assessment of the TF threats looked primarily at two main factors:

- the threat based on terrorism, and
- the threat based on the direction of financial flows, sources, and channels.

The first objective was to determine entity level of both internal and external terrorism threat. The analysis looked at terrorists and terrorist organizations (TOs) with respect to individual and corporate clients and as well as employees of the Company.

The second objective was to identify and analyze the impact of the above threats. The assessment analyzed where funds were being received or sent, the sources of those funds, and the channels used for transmission.

5. RISK ASSESSMENT

TSL will take appropriate steps to identify, assess and understand its money laundering and terrorism financing risk in relation to:

- Its customers;
- The jurisdiction or countries its customers are from or in;
- The jurisdiction or countries the Company has operations or dealings in; and
- The product, services, transactions and delivery channels of the Company.

TSL 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.

TSL shall take into account all the relevant risk factors, such as geography, products and services, delivery channels, types of customers, or jurisdictions within which it or its customers do business. Senior management should 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/TF risks.

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 impact of the assessed risk;
- 3) Managing the risks; and
- 4) Regular monitoring and review of those risks.

Risk assessment must be performed of all the existing and prospective customers on the basis of information obtained regarding their identity, nature of income, source of funding, location etc.

6. Assessment of Crimes

TSL will take appropriate steps to identify, assess and understand its money laundering and terrorism financing risk in relation to crimes identified in updated NRA 2019. This will include verification of sources of income, sources of funds and level of income of the clients. Their investment will be monitored periodically with respect to their declared income. The deposits from these clients will be properly verified. In case of any suspicion, EDD would be conducted for verification.

7. Assessment of TF Threat

TSL will assess TF threats initially at the time of account opening of the clients. The assessment will be based on data available at UN sanctions committee's website, National Counter Terrorism Authority's website and different SROs issued by the Federal Government.

TSL will also perform screening of its existing entire clientele from the data available at the above mentioned regulatory websites and with the SROs.

During this exercise, in case of true match or suspicion, the authorized officer of the TSL will be responsible to comply all the sanctions obligations including:

- Freeze the customer fund or block the transaction (existing customer)
- Reject the customer (new client)
- Lodge STR with FMU
- Notify the SECP and MOFA

As per the updated NRA 2019, Pakistan is facing terrorism and TF threat from terrorist organizations in Afghanistan, Pakistan and in areas adjacent to Pak-Afghan border areas. Further, long porous border with Iran and Afghanistan is a major cause of crimes and Terrorist Financing. Therefore, in view of this information, TF threat risk of the clients would be assessed. Their transactions will be monitored periodically as part of ongoing monitoring. Inflows and outflows of the funds will be properly monitored and investigated.

Screening will also be performed for entities of concern mentioned in updated NRA 2019. The policy of the company in case of true match or suspicion will be same as explained above.

TSL will not provide services to proscribed individuals, groups and entities declared by UNSC (United Nations Security Council) or notified by NACTA and those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.

8. RISK CATEGORIES

Based on the results of such assessment, categorize customers among high risk and low risk customers.

- **High Risk Customers**

Following are general broad outline of factors that will categorize the customers into high risk category:

- ✓ non-resident customers;
- ✓ legal persons or arrangements that have complex structure;
- ✓ Foreign individual and corporate clients;
- ✓ Companies that have nominee shareholders;
- ✓ Politically Exposed Persons (PEPs) or customers holding public or high profile positions;
- ✓ customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries;
- ✓ Clients from high risk jurisdictions in Pakistan as identified in updated NRA 2019;
- ✓ customers whose business or activities present a higher risk of money laundering such as cash based businesses;
- ✓ customers with links to offshore tax havens;
- ✓ high net worth customers with no clearly identifiable source of income;
- ✓ there is reason to believe that the customer has been refused brokerage services by another brokerage house;
- ✓ Non-face-to-face /on-line customers;
- ✓ establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations;
- ✓ establishing business relationship or transactions with counterparts from or in countries as having significant level of corruption or other criminal activities; and
- ✓ payments received from unknown or un-associated third parties.

- **Low Risk Customers**

Following are general broad outline of factors that will categorize the customers into low risk category:

- ✓ customers belonging to countries as having effective AML/ CFT systems;
- ✓ customers belonging to countries as having a low level of corruption or other criminal activities;
- ✓ low net worth customers;
- ✓ customers whose source of income are clearly identifiable.

9. RISK MITIGATION

TSL senior management and staff will take the following measures to mitigate the assessed risk:

Obtain senior management (i.e. HOD, CEO and COO) approval for higher-risk transactions.

Set Transaction limits for Customers with respect to their source of income and level of income.

Monitor their deposit amount with their declared level of income.

Complete KYC/CDD of each client and verify their identification and supporting documents.

Ongoing monitoring must be performed by senior management (i.e. HOD, CEO and COO) of their business relationship with its Customers that present a higher money-laundering risk might include, but are not restricted to:

- customers linked to higher-risk countries or business sectors
- customers who have unnecessarily complex or opaque beneficial ownership structures
- transactions that are unusual, lack an obvious economic or lawful purpose, are complex or large or might lend themselves to anonymity

Requiring senior management approval for higher-risk transactions, including those involving PEPs;

- determining the circumstances under which they may refuse to take on or terminate/cease high risk customers;
- determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customers such as PEPs).

OBLIGATION OF SENIOR MANAGEMENT AND STAFF

1. GENERAL OBLIGATIONS

There are obligations on every member of senior management and staff that:

- To assist anyone whom you know, or suspect to be, laundering money generated illegally.
- If you know or suspect that a transaction is related to any illegal activity, you must report to compliance in order to get protection against a charge of knowingly assisting a criminal to launder the proceeds of his/her crime.
- If you find a suspicion of money laundering in the course of your employment or business activity, you must report it, even if you are not handling the transaction or funds in question, otherwise you will be alleged for the offence of collusion.
- To verify of new client identification and know your customer and his business.
- To keep records of your findings.

2. SPECIFIC OBLIGATIONS

1. Senior Management

Senior management is responsible for:

- To ensure day to day compliance with money laundering obligations within all segments of the Brokerage House for which they are responsible.
- To ensure that the Compliance Head is provided with prompt advice of unusual/suspicious transactions and other matters of significance.
- To seek a report from the Compliance Division, at least annually, relating to the TSL compliance with its anti-money laundering obligations and acting on the findings and recommendations.
- To engage in the decision making on AML/CFT policies, procedures and control.
- To establish and maintain an effective AML/CFT compliance culture and must adequately train its staff to identify suspicious activities.
- To ensure that employees must be aware of their reporting obligations.
- To ensure that Company is in compliance with the applicable legislative and regulatory obligations.
- To monitor AML/CFT system and controls.
- To ensure documentation of relevant policies, procedures, review results and responses.
- To identify and assess ML/TF risks that may arise in relation to the development of new products and new business practices.

2. Compliance Head

Compliance Head is responsible for:

- Ensuring that staff is aware of their obligations and the Company's procedures, and that staff are adequately aware of money laundering prevention.
- Representing the TSL to all external agencies in Pakistan in relation to money laundering compliance.
- Ensuring that all segments of the Company are complying with the stated policy and therefore monitoring operations and development of the policy.
- Preparing and presenting compliance reports to the Senior Management.
- Ensuring that staff members complete the "Annual Acknowledgement Form for the Prevention of Money Laundering"
- Undertaking the internal review of all suspicions and determining whether or not such suspicions have substance and require disclosure to SECP.
- Advising Senior Management of any deviations from the policies and procedures that have been noted by Compliance Division during their reviews.
- Monitoring, reviewing, developing and maintaining policy in line with evolving statutory and regulatory obligations.

3. Employees

Employees are responsible for:

- Remaining vigilant to the possibility of the money laundering.
- Complying fully with all the anti-money laundering procedures in respect of customer identification, account monitoring, record keeping and reporting.
- Reporting all suspicions of money laundering to the Compliance Head.
- Promptly completing, every year, "Annual Acknowledgement Form for the Prevention of Money Laundering" confirming that they had no suspicions during the prior year or that any suspicions have been reported and acknowledging that they have re-read this document.

PROCEDURES AND PRACTICES

1. TSL POLICY

It is the Policy of Topline Securities Limited that:

- Regulatory obligations to prevent money laundering are met in full.
- Positive management action will be exercised in order to minimize the risk of the TSL services being abused for the purposes of laundering funds associated with drug trafficking, terrorism and other serious crime.
- The Company will not continue established relationships with customers whose conduct gives rise to suspicion of involvement with illegal activities. Any customer relationship where the customer's conduct gives the Company reasonable cause to believe or suspect involvement with illegal activities will be reported by the Compliance Officer to the SECP after proper scrutiny in consultation with the respective line manager. Thereafter, action will be undertaken in conjunction with the law enforcement agencies to avoid any risk of the Company committing a tipping-off offence. Wherever possible, the relationship will be terminated.

2. PROCEDURES TO BE FOLLOWED

Employees should ensure that all persons conducting business with the Company are properly verified and sufficient information gathered and recorded to permit the Company to "know its customer" and predict the expected pattern of business.

Employees are authorized to decline business relations in any of the following cases with the approval of senior management:

- Prospective business where all of the required information cannot be obtained without a justifiable reason.
- Potential new relationships that do not appear to be legitimate.
- Transactions offered by equity account holders do not appear legitimate.

Established relationships are regularly monitored, to ensure that they fit the customer's profile, especially in respect of large or abnormal transactions. Records are retained to provide an audit trail and adequate evidence to the law enforcement agencies in their investigations.

3. VERIFICATION OF IDENTITY/ KNOW YOUR CUSTOMERS ("KYC")

Staff must prudently ensure that all the necessary documents have been obtained at the time of account opening. The Company has a statutory obligation to know its customers. This applies to every type of customer regardless of who they are, their personal status, or the type of account or service that they require. Knowing your customer means:

- Seeking evidence of identity and address and independently confirming that evidence at the start of a business relationship
 - Seeking information regarding the nature of the business that the customer expects to conduct with the Company
- Establishing sources of income and expected patterns of transactions
- Keeping the information up to date, to show what might be regarded as normal activity for that customer.

All prospective customers for accounts with Topline Securities Limited must be seen face to face. The appropriate account opening and customer information forms must be completed and any additional interview notes must be obtained and retained on the customer file.

CUSTOMER DUE DILIGENCE

1. CUSTOMER IDENTIFICATION

1. The Need to Verify Identity and Address

Customer identification is very important that will protect our Company from being used by unscrupulous and/or criminal elements. In this respect minimum documents/information as prescribed by SECP through its guidelines must be obtained from customers at the time of opening of accounts. Further, any additional document/information may be obtained on case to case basis where considered necessary. The key point is that anonymous or obviously fictitious accounts must not be opened.

The staff must verify the credentials of every customer when an account is first opened. This applies to all types of accounts (personal customers, sole traders, partnerships, private and public companies etc.).

The Topline Securities Limited shall verify the identification of a customer using reliable independent source documents, data or information including verification of CNICs from Verity's. Similarly, TSL shall identify and verify the customer's beneficial owner(s) to ensure that the TSL understands who the ultimate beneficial owner.

The Topline Securities Limited shall ensure that they understand the purpose and intended nature of the proposed business relationship or transaction.

In respect of accounts for sole traders, partnerships and companies, it is necessary to verify the identity of the business entity PLUS the key individuals who will be operating the account as well as those who are investing into the business or controlling it.

For non-individual customers (e.g. companies, pension funds, government owned entities, non-profit organizations, foreign companies/organizations) additional care shall be taken to establish the ownership and control structure of such an organization and who (i.e. person(s)), actually owns the organization and who manages it. It shall be verified that the person who represents himself as authorized signatory with powers to open and operate the account is actually authorized by the organization.

For individual customers, proper authorization shall be obtained from person authorized to act on behalf of the customer.

For joint accounts, the identity of all account holders must be established. This also applies to any other third parties, who are permitted by the account holder to operate the account. If the customer gives a mandate to a third party to operate the account, in such cases the identity of both the account holder and third party should be obtained in line with the normal procedures set out above for personal customers.

In case a customer is acting on behalf of another person, then identity of that person shall be ascertained and relevant documents/information of that person need to be obtained also.

It shall be ensured that accounts of Institutions/organizations/corporate bodies are not opened in the individual name(s) of employee(s) /official(s). Because of sensitive nature of public sector (government) entities and risk of potential conflict of interest, these accounts shall not be opened in the individual name of any employee/official. Any such account, which is to be operated by an officer of a government., owned entity, is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall be opened only on production of a special resolution/authority from the concerned administrative department, duly endorsed by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government.

Sufficient information shall be obtained and documented on the purpose and intended nature of account to be opened and a profile shall be developed based on results of customer identification and the risk assessment. Information regarding intended investment plan of the customer must also be obtained to the extent possible and should be documented.

Sufficient information shall be obtained to determine the expected source of funding for the account, particularly whether the customer shall receiving/remitting funds in foreign currency.

Physical presence of the customer at the time of opening of account is necessary. In case of off-shore customers or customers in cities where no branch exist, appropriate procedures must be applied to ensure the identification of customer (e.g. third party verification, references etc.). When obtaining confirmation from the third parties in different jurisdictions, it must be considered whether that jurisdiction is following the FATF recommendations.

The circumstances under which TSL may refuse to take on or reject high risk customers will be based on the information obtained from customer in SAOF where such information unveil any prejudice and if it will pertain individual to NACTA or UNSC list.

2. Where CDD Measures are not completed

In case the TSL is not been able to satisfactorily completed required CDD measures, account shall not be opened or any service provided and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR.

3. Anonymous or Fictitious Account

TSL shall not open or maintain anonymous account or accounts in the name of factitious persons.

4. Government Accounts

Government Account shall not be opened in the personal names of the government officials.

5. Proscribed Individuals/Entities

TSL shall not provide services to Proscribed Individuals, Groups and Entities declared/listed by UNSC (United Nations Security Council) and/ or by OFAC (Office of Foreign Asset Control –USA) OR those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.

6. Completion of Account Opening and Know Your Customer Forms

All prospective account holders must complete in full the Account Opening Form and provide the necessary documentary evidence of identity and financial information. If any column on either form is not applicable it must be marked as N/A, no section should be left blank. The introducer must also complete and sign the "Account Opening and "Know Your Customer" form. Any additional information obtained during the interview about the customer's background and financial standing should be recorded by and kept in customer's file.

In case of Branch Office, Branch Manager will complete the form, verify the supporting documents, and also verify the client's identity. Then he will send the form to the Head Office for verification.

7. Completion of Account Opening Formalities and Authorization

No account will be opened until the account opening and Know Your Customer forms have been completed and all documents have been received and examined to ensure that they are valid. That is:

- ✓ The ID card is not expired;
- ✓ The documents are duly attested; and
- ✓ All documentary evidence, information and signatures are consistent.

8. Customer Identification - Account Opening Documentation

For each type of customer, certain documentation must be obtained and sufficient information gathered for us to be certain that:

- ✓ we know our new customer, having verified identity and address and understand the customer's business and the expected levels of transactions;
- ✓ the new customer has understood and accepted the TSL terms and conditions for the account;

- ✓ we are satisfied that the mandated individuals do have the authority of the account holder(s) to control the account; and
- ✓ we are satisfied that the account holder(s) and their business is legitimate and the Company is not at risk of financial loss or reputation damage.

Original identification documents must be seen, photocopied and retained in the customer's file. Care must be taken to ensure that the copies are clear and legible and that the copies are stamped, signed and dated to show that the originals have been seen.

When a prospective customer does not yet have a permanent residential address, documentary evidence of the temporary address should be obtained. Only original or certified photocopy documentation is acceptable.

A checklist has been developed and annexed (**Annexure A**) to these policies and procedures. Details of necessary documents, information and procedures required to be obtained/followed have been incorporated therein. Further, necessary documents/information required have also mentioned in relevant account opening forms and are not reproduced herein to avoid repetition.

2. CLIENT REGISTRTION

TSL will accept and register only those clients who satisfy their identification, complete account opening formalities, provide complete documents and have proper references.

The Forms will send to Compliance Department after completion of the above described procedures. Compliance Department will approve the SAOF along with documents and ensure that:

- Back office executive creates a trading code through the Back office software.
- National Clearing Company Limited (NCCPL) operator feeds the detail in NCCPL system and create a new Unique Identification Number (UIN) of the client.
- Central Depository Company (CDC) operator creates a CDC Sub Account for the respective client. The UIN of the client is tagged with the respective CDC Sub-Account.
- Intimation to Traders about registration of new clients.
- CDC Setup report and Back Office Client information report will be generated by CDC Department Official and send to Compliance Department for verification. The client will be required to sign the Setup report.

3. ENHANCED DUE DILIGENCE

Once a customer will be categorized as HIGH RISK, it is necessary to have Enhanced Due Diligence (EDD) when dealing with such a customer. Activities and transactions of HIGH RISK customers will be monitored and any unusual transactions will be reported in suspicious transaction report.

TSL staff members will perform the following procedures for high risk business relationship:

- 1) Obtain additional information (e.g. occupation, volume of assets, information available through public databases, internet, etc.).
- 2) Update more regularly the identification data of applicant/customer and beneficial owner.
- 3) Obtain additional information on the intended nature of the business relationship.
- 4) Obtain additional information on the source of funds or source of wealth of the applicant/customer.
- 5) Obtain additional information on the reasons for intended or performed transactions.
- 6) Obtain the approval of senior management to commence or continue the business relationship.
- 7) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

When it will be not possible to identify and verify the identity of the customer and the beneficial owner or will be not possible to obtain adequate information regarding the purpose and intended nature of the customer relationship, account shall not be opened, customer relationship shall not be commenced or in the case of an existing customer relationship shall be terminated and filing of a Suspicious Transaction Report shall be considered.

4. SIMPLIFIED DUE DILIGENCE

In cases where LOW RISKS will be identified, staff will may apply simplified or reduced CDD/ KYC measures. However, the decision to rate a customer as LOW RISK will be justified in writing and approved by the senior management.

CDD measures shall be simplified or reduced in the following circumstances:

- 1) Risk of money laundering or terrorist financing is lower.
- 2) Information on the identity of the customer and the beneficial owner of a customer is publicly available.
- 3) Adequate checks and controls exist.

Simplified Due Diligence will may include the following:

- 1) Reduce the frequency of customer identification updates;
- 2) Reduce the degree of ongoing monitoring; and
- 3) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of business relationship.

Following customers may be considered for simplified or reduced CDD:

- 1) Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF. Recommendations and are supervised for compliance with those controls
- 2) Public companies that are subject to regulatory disclosure requirements.
- 3) Government administrations or enterprises.

Simplified CDD shall not be followed when there is an identified risk of money laundering or terrorist financing.

5. ON-GOING MONITORING

Once the identification procedures have been completed and the business relationship is established, the Topline Securities Limited is required to monitor the conduct of the relationship to ensure that it is consistent with the nature of business stated when the relationship/account was opened.

The Topline Securities Limited shall conduct ongoing monitoring of their business relationship with its Customers. Ongoing monitoring helps the Topline Securities Limited to keep the due diligence information up-to-date, and review and adjust the risk profile of the customers, where necessary.

The Topline Securities Limited conducts on-going due diligence which include scrutinizing the transactions undertaken through the course of business relationship with a Customer.

The Topline Securities Limited will be required to update the Risk Assessment of their Customer as per following schedule or on the occurrence of a triggering event, whichever is earlier:

- For its High Risk Customers, their Risk Assessment shall continuously be reviewed and updated, but a comprehensive review should be done at least quarterly
- For its Medium Risk Customers, their Risk Assessment shall be updated bi-annual basis.
- For its Low Risk Customers, their Risk Assessment shall be updated annually

The Topline Securities Limited may update the Customer CDD record on triggering of following events:

- Material changes to the customer risk profile or changes to the way that the account usually operates;
- Where it comes to the attention of the Topline Securities Limited that it lacks sufficient or significant information on that particular customer;
- Where a significant transaction takes place;
- Where there is a significant change in customer documentation standards;
- Significant changes in the business relationship.

The Topline Securities Limited updates Risk Profiling of the Customer in the following circumstances:

- New products or services being entered into;
- A significant increase in a customer's salary being deposited;
- The stated turnover or activity of a corporate customer increases;
- A person has just been designated as a PEP;
- The nature, volume or size of transactions changes.

The Topline Securities Limited shall be vigilant for any significant changes or inconsistencies in the pattern of transactions. Inconsistency is measured against the stated original purpose of the accounts. Possible areas to monitor could be:

- transaction type;
- frequency;
- amount;
- geographical origin/destination;
- Account signatories.

The Topline Securities Limited shall take the following steps to ensure that its Customers are who they purport themselves to be:

- To identify and verify the Customers including their beneficial owners;
- To understand the intended nature and purpose of the relationship;
- To know actual ownership; and
- To know control structure of the Customer.

The Topline Securities Limited shall conduct ongoing due diligence on the business relationship and scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with:

- Knowledge of the Customer;
- Business and Risk Profile;
- Where necessary, the source of funds.

6. RECORD-KEEPING PROCEDURES

The records maintained by Topline Securities Limited as set out in section 7C of the AML Act is sufficient to permit reconstruction of individual transactions including the nature and date of the transaction, the type and amount of currency involved and the customer involved in the transactions so as to provide, when necessary, evidence for prosecution of criminal activity.

Where transactions, customers or instruments are involved in litigation or where relevant records are required by a court of law or other competent authority, the Topline Securities Limited retains such records until such time as the litigation is resolved or until the court of law or competent authority indicates that the records no longer need to be retained.

The records of identification data obtained through CDD process including copies of identification documents, account opening forms, Know Your Customer forms, verification documents, other documents and result of any analysis along with records of account files and business correspondence, shall be maintained by Topline Securities Limited for a minimum period of five years after termination of the business relationship.

The Topline Securities Limited will maintain a list of all such customers/accounts where the business relationship was refused or needed to be closed on account of negative verification.

The Topline Securities Limited shall provide, upon request, from the Commission, investigating or prosecuting agency and FMU, any record within 48 hours after the request has been made or such time as may be instructed by the relevant authority.

7. POLITICALLY EXPOSED PERSONS (PEPS)

These generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials; senior executives of State Corporations and their family members and close associates. These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and monitoring their account activity. The above definition is not intended to cover middle ranking / junior officials in above noted categories. However, prudence requires brokers to be careful while dealing with such customers.

1. Politically Exposed Persons Categories

The difference between foreign and domestic PEPs may be relevant for firms making specific risk assessments. To help clients gain a holistic view of potential risk. In the first instance PEPs are classified at a high level in the following categories:

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.

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.

International organization PEPs

Persons who are, or have been entrusted with a prominent function by an international organization, refers to members of senior management or individual who have been entrusted with equivalent functions i.e. directors, deputy directors, and members of the board or equivalent functions.

Family members

Individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership.

Close associates

Individuals who are closely connected to a PEP, either socially or professionally.

2. How you will seek approval from senior management?

The Topline Securities Limited shall obtain Senior Management approval to determine the nature and extend of EDD where the ML/TF risks are high.

In assessing the ML/TF risk of PEP, the Topline Securities Limited shall consider factors such as

- whether the Customer who is a PEP: 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).

- The Topline Securities Limited shall consider other red flags include (in addition to the Red Flags that they consider for other applicants):
- 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.
- The Topline Securities Limited shall take a risk based approach in determining whether to continue to consider a customer as a 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;
 - 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).
 - Additionally, where appropriate, Topline Securities Limited shall consider filing a STR.

8. BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND LEGAL ARRANGEMENTS

Where the customer is a legal person, in addition to other measures the company shall-

(a) Understand the nature of the customer's business and its ownership and control structure by asking questionnaires and recording on SAOF

(b) Identify and verify the identity of the natural persons (whether acting alone or together) who ultimately own the legal person by obtaining relevant information from the customer by acquiring the following Certified copies of:

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

(c) Where there is doubt under Memorandum and Article of Association as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person by probing and investigating the documents obtained.

(d) Where no natural persons are identified under clause Memorandum and Articles of Association or Certificate of Incorporation, identify the natural persons having executive authority in the legal person, or in equivalent or similar positions.

If the Topline Securities Limited has any reason to believe that an applicant has been refused facilities by another Topline Securities Limited 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.

SANCTIONS COMPLIANCE

Sanctions are prohibitions and restrictions put in place with the aim of maintaining or restoring international peace and security. They generally target specific individuals or entities or particular sectors, industries or interests.

The Company will not form business relationship with the individuals/entities and their associates that are either, sanctioned under United Nations Security Council (UNSC) Resolutions adopted by Pakistan or proscribed under the Anti-Terrorism Act, 1997.

The Company at the time of conducting risk assessments shall take into account any sanctions that may apply to customers or countries.

The relevant staff will keep themselves up to date regarding sanctions list and sanctions obligations and, document and record all the actions that will have been taken to comply with the sanctions regime.

INTERNAL AUDIT AND EMPLOYEES TRAINING

1) INTERNAL AUDIT FUNCTION

Internal audit function should be establish that will maintain internal controls in relation to;

- test the efficiency and implementation of AML/ CFT systems,
- policies and procedures,
- employees training and screening,
- employees knowledge of relevant laws and regulations, and
- the overall company's operations.

2) EMPLOYEE TRAINING AND SCREENING

Appropriate on-going employee training program and knowledge refreshment will be arranged to ensure that the employees understand their duties and are able to perform the same on a satisfactory level.

Staff will be hired with extra care and all possible screening measures will be taken at the time of hiring including independent inquiries, information from previous employers/colleagues etc. Further, screening process shall be an on-going exercise and shall be applied consistently to ensure that employees, particularly those working at sensitive positions, meet and maintain high standards of integrity and professionalism.

TSL should ensure that all appropriate staff, receive training on ML/TF prevention on a regular basis, ensure all staff fully understand 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 will be provided annually.

Training to employees will be provided regarding the following matters:

- 1) Legal or regulatory requirements and their obligations;
- 2) AML/ CFT and KYC policies and procedures;
- 3) How to verify the customer identity.
- 4) How to assess the risk.
- 5) Suspicious activities.
- 6) Verification procedures.

- 7) Guidelines issued by Regulatory Bodies.
- 8) Due Diligence procedures.
- 9) Record keeping or data retention procedures.

REPORTING

1. RECOGNIZING & REPORTING OF STRS (SUSPICIOUS TRANSACTIONS)

STRs include detailed information about transactions that are or appear to be suspicious in terms of AML Regulations. TSL shall comply with the provisions of AML Act, rules and regulations issued there under for reporting of suspicious transactions in the context of money laundering or financing of terrorism.

In pursuance to the above, the compliance officer should review and monitor the transactions of customer's accounts on an ongoing basis in accordance to the policy.

While reviewing transactions, the compliance officer should pay special attention to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), the TSL shall consider filling a STR.

The transactions, which are out of character or inconsistent with the history, pattern, or normal operation of the account including through heavy deposits, withdrawals and transfers, etc. should be viewed with the suspicion, and be properly investigated.

If Compliance officer decides to report any transaction/ account to the FMU as "Suspicious" based on the justifiable grounds, the same should be reported to FMU under intimation to the CEO/ Chairman of the board.

All the employees of TSL are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

The TSL shall maintain STRs and their accompanying documentation for at least five years from the date of creation or the date the customer closes his account, if later. Other documents will be kept according to the requirements of existing rules and regulations.

2. REPORT TO SECP

TSL will report to Securities and Exchange Commission of Pakistan (SECP) all unusual or large transactions in an equity account which apparently have no genuine economic, commercial or lawful purpose provided that the Company after complete investigation/inquiry come to a conclusion that such transactions are not for economic, commercial or lawful business purpose and relate to illegal or illicit activities, corruption or corrupt practices and narcotic activities.

All requirements of Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 as applicable, including the requirement to file Suspicious Transaction Reports and any directives, circulars, guidelines issued in this regard by Federal Government, Financial Monitoring Unit and SECP will be complied.

A register will be maintain regarding FMU report. Such register will contain the following details:

- 1) Date of the report;
- 2) Person who made the report;
- 3) Person to whom the report was forwarded; and
- 4) Reference by which supporting evidence is indefinable.

3. REPORT TO PSX

It must be ensured that all receipts and payments to the customers above the prescribed threshold (i.e. Rs. 25,000/-) are made through cross cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it shall become necessary to accept cash from a customer, reporting of such instances with rationale must be made immediately to the exchanges.