



***PROGRESSIVE SECURITIES (PVT) LIMITED
TREC Holder
Pakistan Stock Exchange Limited
AML/CFT POLICY & PROCEDURES***

Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT) Policies, Procedures and Controls

ANTI-MONEY LAUNDERING COMPLIANCE STATEMENT

1. Policy Statement/Introduction

PROGRESSIVE SECURITIES (PVT) LIMITED is a company held TREC of erstwhile LSE and after Integration of Stock Exchanges in January, 2016, is having Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange (PSX), duly licensed as Securities Broker, registered under Securities Act, 2015, together read with Securities Brokers (Licensing and Operations) Regulations, 2016, to act as a broker on PSX. **PROGRESSIVE SECURITIES (PVT) LIMITED** is having complete corporate structure and provides the securities and financial services.

The **PROGRESSIVE SECURITIES (PVT) LIMITED (PSPL)** is committed to fully comply with all applicable laws and regulations regarding anti-money laundering procedures. Progressive has adopted and will enforce the provisions set forth in AML/CFT Regulations in order to prevent and detect money laundering, terrorist financing and other illegal activities.

2. Scope & Objectives of Progressive Securities (Pvt.) Limited's Anti-Money Laundering/Counter Financing of Terrorism Policy and Procedures

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. AML and CFT Regime is governed under Anti-Money Laundering Act, 2010 ("AML Act"), Anti-Money Laundering Rules, 2008 ("AML Rules") made under the Anti-Money Laundering Ordinance, 2007 ("AML Ordinance"), Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("SECP AML/CFT Regulations") made under the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act"), upon recommendation of Financial Monitoring Unit ("FMU") established under AML Act, Guidelines on SECP AML/CFT Regulations issued by SECP in September 2018 and Pakistan National Risk Assessment (PNRA) Report on Money Laundering and Terrorist Financing issued in September 2019:

- ✓ Comply with all AML/CFT Rules & Regulations of the jurisdictions it operates in;
- ✓ Appointment of a Compliance Officer who shall ensure adherence to the **Progressive 's** AML/CFT Policy and Procedures;
- ✓ Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which Progressive or its employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activities;
- ✓ Require all Employees to attend anti-money laundering training sessions and share the relevant knowledge, so that all such employees are aware of their responsibilities under its

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policies and procedures; and as affected by current developments with respect to anti-money laundering events.

3. What is Money Laundering?

Money laundering involves the placement of illegally obtained money, into legitimate financial systems so that monetary proceeds derived from criminal activities are transformed into funds with an apparently legal source.

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

4. Anti-Money Laundering Compliance Officer

The Progressive has appointed a dedicated Compliance Officer, to oversee the Compliance functions,

who will be reporting to the Board of Directors of the Progressive Securities. Every Employee shall immediately notify the Compliance Officer, if he/she suspects or has any reason to suspect that any potentially suspicious activity, by any client, has occurred or will occur, when the transaction is completed. Employees are advised to seek the assistance of the Compliance Officer with any questions or concerns they may have with respect to the Progressive 's AML/CFT Policy & Procedures.

Responsibilities of the Compliance Officer include the following:

- ✓ Review of Account Opening Forms and sign off from Compliance perspective
- ✓ Coordination and monitoring of Progressive's day-to-day compliance with applicable Anti- Money Laundering Laws and Regulations and Progressive 's own AML/CFT Policy and Procedures;
- ✓ Ensure that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors and are effectively implemented.
- ✓ Providing assistance in compliance to other departments and branches, of the office, if any.
- ✓ Timely submission of accurate data/returns as required under the applicable laws, monitoring and timely reporting of Suspicious and Currency Transactions to FMU, if any.
- ✓ Over seeing communication and training for employees, regular audit of the AML/CFT program and responding to requests for information by the SECP/FMU/Law enforcement agencies, promptly.
- ✓ The Company will also ensure to maintain AML records accordingly.

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5. Anti-Money Laundering Employee Training Program

As part of the Progressive's anti-money laundering program, all employees are expected to be fully aware of the Progressive's AML/CFT policy and procedures.

Each Employee is required to read and comply with this Compliance policy and procedures, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands Progressive's AML/CFT policy and procedures. Compliance Officer or the dedicated employee will attend all such awareness sessions or training sessions, arranged by SECP, PSX, etc. The knowledge so acquired, will be shared, at length, with all other colleagues. Progressive Securities will arrange training program within the office for AML/TF at-least once in a year.

6. Client Identification Procedures

6.1. General

Progressive Securities' AML/CFT policy and procedures are intended to ensure that due care will be exercised at the time of opening of the account and all the required identification details will be obtained and verified, which will include, also knowledge of the financial capacity of the prospective clients. It will be preferred that the new customer comes with the reference of either some existing client or some other trust worthy person. Prior to accepting funds from Clients, all reasonable and practical measures are taken to confirm the Clients' identities.

Progressive may take assistance from the bank or other financial institutions for completing client identification process and bank verification will be mandatory.

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

- ✓ Progressive Securities has confirmed the Client's identity and that the Client is acting as a principal and not for the benefit of any third party.

The Compliance Officer shall ensure that bio metric verification is performed and all documents are reviewed and checklist completed in Every Customer shall be identified for establishing business relationship. For this purpose, investors need to fill out the Customer Relationship Form (CRF) and provide necessary documentary evidence.

6.2. Client Identification Procedures for Natural Persons

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

- ✓ Full name as per Identity document of the Applicant.

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- ✓ Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification.
- ✓ Residential Status, Nationality, Country of Residence.
- ✓ Details of Employer/Business.
- ✓ CNIC/NICOP/SNIC/POC/Passport Number.
- ✓ Existing Mailing and Permanent address.
- ✓ Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number and Email address.
- ✓ NTN and STN number.
- ✓ Nature and Type of Account.
- ✓ Details of Bank Account.
- ✓ Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s) .
- ✓ Source of Income, Gross Annual Income, Sources of Fund for Stock Market, Expected Value of Investment.
- ✓ Knowledge of stock Market and Investment experience.
- ✓ Normal or expected mode of transaction.
- ✓ Similarly, relevant details of the nominee will be taken too.

Joint Accounts: In case of Joint account, the customer due diligence measures on all of the joint account holders shall be performed as if each of them were individual customers of the Progressive Securities.

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

- ✓ Both KYC forms Duly filled and signed by both joint holders.
 - ✓ Duly filed and signed Customer Relationship Form (CRF) by Main applicant and Joint Account Holder(s).
- ✓ Physical presence of Title and Joint Account Holder(s) at Progressive Office along with valid original ID document.
- ✓ Copies of valid ID document of Title and Joint Account Holder(s).
- ✓ Local Mobile Number and/or email address.
- ✓ Copy of Zakat Declaration (CZ-50) duly attested by notary public as per the prescribed format for Zakat exemption (Optional).
- ✓ For Non-Muslims, written request for Zakat non-applicability.
- ✓ Copy of NTN certificate, if NTN is provided in AOF.
- ✓ Copy of NICOP for non-resident Pakistanis.
- ✓ Bank statement or utility bill; or other residential information; if found necessary. Proof of Employment/ Business

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

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Attested copies of ID document of Authorized person.

- ✓ CNIC/NICOP/Passport number.
- ✓ Contact Details and email address.
- ✓ Specimen Signature of the person so authorized.

The authorized person is only allowed to issue instructions, for buy or sale of securities on behalf of client and all payments or receipts, of funds must be made to or from the client's own accounts only.

6.3. Client Identification Procedures for Corporations, Partnerships, Trusts and Other Legal Entities

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

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

- ✓ Full name as per Identity document.
- ✓ Email, website and contact numbers.
- ✓ Registered and mailing address.
- ✓ NTN number and Sales Tax number.
- ✓ Details of Contact Person and authorized person to operate the account.
- ✓ Nature and Type of Account
- ✓ Details of Bank Account.
- ✓ Details of Investor Account maintaining with CDC and Details of Sub Account maintaining with other Broker(s).
- Financial and general information including Investment experience, expected value of Investment, recent change in ownership of the company, customer type, etc.
- Normal or expected mode of transaction.

Progressive Securities will obtain the following documents, as appropriate under the circumstances:

- ✓ Certified true copy of Board Resolution.
- ✓ Certified true copies of Constitutive Documents of the Applicant (Memorandum & Articles of Association, Act / Charter / Statute / By laws / Rules & Regulations, Certificate of Incorporation, Certificate of Commencement of Business, Prospectus for Modaraba, Relevant licenses and registration issued by Regulatory Bodies etc.)*
- ✓ List of Directors / Trustee (if applicable).
- ✓ List of authorized signatories.
- ✓ List of Nominated persons allowed placing orders.
- ✓ Copies of C.N.I.C. / N.I.C.O.P / Passports of the Authorized Signatories.

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- ✓ Copies of C.N.I.C. / N.I.C.O.P / Passports of the Contact Person.
- ✓ Copies of C.N.I.C. / N.I.C.O.P / Passports of the Witnesses.
- ✓ Certified copy of N.T.N. Certificate. (If exempted please provide Exemption Certificate).
- ✓ Latest Audited Accounts of the Company.

6.4. Approval

The account will only be processed for account opening after it has been authorized by Compliance officer and in case of High risk customer, by the senior management of PROGRESSIVE Securities.

Further the company recognizes that new products, practices and technologies, like software developments, etc, will be used, in the office, especially in the Back Office, shall be adopted, as an ongoing process.

6.5. Verification of Identity

The Progressive Securities shall verify identities of customers (Natural or Artificial persons) from NCS database and retain on record copies of all reference documents used for identification and verification. "The company 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.

6.5. (a) Progressive Securities, will identify and verify the identity of the customers, and understand the nature of their business, and its ownership and controls structure.

6.5. (b) The Purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is twofold: firstly; to prevent the unlawful use of legal person and arrangements, by gaining a sufficient understanding of the applicant to be able to properly assess the potential ML/TF risks associated with the business relationship; and secondly to take appropriate steps to mitigate the risks.

6.5. (c) For any reason to believe that an applicant has been refused facilities by another Securities Broker, due to concerns over illicit activities of the customer; it should consider classifying that applicant:

- ✓ As higher risk and apply enhanced due diligence procedures to the customer and the relationship;
- ✓ Filing an STR and /or not accepting the customer in accordance with its own risk assessments and procedures.

6.5. (d) Progressive Securities will accept copies of the documents for identifying customer verified, by seeing originals, during establishment of business relationship.

- ✓ Identification of customers that is not physically present.
- ✓ Progressive Securities (Pvt.) Limited will not open any account without physical present of the client.

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6.6. Timing of Verification

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

6.7. Payment Mechanism

The Progressive Securities shall accept from the account Holder(s) payment through "A /C Payee Only" crossed cheque, bank drafts, pay orders or other crossed banking instruments. In case of cash amounts, in excess of Rs. 25,000/=, it will be reported to PSX. Electronic transfer of funds to the Progressive Securities, through banks would be regarded as good as cheque and necessary bank's credit advice, duly stamped will be taken. The Progressive shall be responsible to provide the receipt to the Account Holder(s) in the name of Account Holder(s) duly signed by authorized agents / employee and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The Progressive shall immediately deposit in its bank accounts all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional Circumstances, where it becomes necessary for the Progressive Securities, to accept cash in excess of Rs. 25,000/=, the Progressive shall immediately report within one business day such instances with

Rationale, thereof to the Stock Exchange in accordance with the mechanism prescribed by the Exchange.

The Progressive Securities shall make all the payments of Rs. 25,000/- and above to clients, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years. It will be preferred to make all payments to clients, through crossed cheques. But in a very exceptional circumstances, payment less than 25000/ can be made, to the clients, by taking approval from the top management.

Progressive Securities, may accept initial deposit at the time of submission of necessary documents by Its, prospective customers, subject to the following:

1. Initial deposit receipt will be issued after completing necessary due diligence including NCCPL verification.
2. The account numbers will be generated (NCCPL Client code and CDC Sub account number). Progressive Securities, to obtain signatures of concerned Account Holders

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/ authorized signatories as acknowledgement, on the Posted Registration Detail Report generated from CDS.

3. The initial deposit will be credited to the customer's account only.

4. In case, the business relationship needed to be closed due to unsatisfactory due diligence, the Progressive shall guide the customers, to visit the office to get refund of initial deposit through cheque.

6.8. Account Shall Not Open

Where NACTA Measures:

Progressive Securities shall not be open an account who falls in the category of blacklisted by NACTA.

Where CDD Measures are not completed

In case the Progressive Securities has not 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.

Anonymous or Fictitious Account:

Progressive shall not open or maintain anonymous account or accounts in the name of fictitious persons.

Government Accounts:

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

Prescribed Individuals/Entities:

Progressive shall not provide services to Prescribed 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.

7. Risk Profiling Of Customers

All relationships shall be categorized with respect to their risk levels i.e.

1) High

2) Medium

3) Low

based on the risk profiling of customer (through KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

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The approval for opening of PEP and Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities account will be obtained from Senior Management (Business Head) after performing EDD. Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. However, it will remain preferable, not to open such accounts.

Customer KYC / CDD profile will be reviewed and/or updated on the basis of predefined frequency, in accordance with the risk profile of the customer, as per procedure defined in operational Manual. However, it will remain preferable, not to open such accounts.

a. High Risk at least once in a year or one-off*

b. Medium Risk at least once in 2 years or one-off*

c. Low risk at least once in 3 Years or one-off*

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

The Company will not prefer to open such accounts.

7.1. High-Risk Clients

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

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

1. Non-resident customers;
2. Legal persons or arrangements including non-governmental organizations; (NGOs)/ not-For-profit organizations (NPOs) and trusts / charities;
3. Customers belonging to countries where CDD/KYC and anti money laundering regulations are, lax or if funds originate or go to those countries;
4. Customers whose business or activities present a higher risk of money laundering, such As, frequently cash based business;
5. Customers with links to offshore tax havens;
6. High net worth customers with no clearly identifiable source of income;
7. There is reason to believe that the customer has been refused brokerage services by another brokerage house;
8. Non-face-to face / on-line customers;
9. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations;

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10. all the accounts of customers residing/belonging to such countries, which have been mentioned, as high risk countries by FATF or as notified by Federal Government, shall be opened, by refereeing to that list and shall obtain all pre-emptive steps”.
11. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations; Countries identified by credible sources as having significant levels of corruption or other criminal activity; and
12. Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.
13. Clients residing or doing business, in the border areas, within the country or Afghan diaspora.

RISK MATRIX

Progressive Securities may use risk matrix annexed as Annexure-1 to SECP Guideline on AML/CFT Regulations as a method of assessing risk in order to identify the types or categories of Customers that are:

- ✓ in Low Risk category;
- ✓ Those that carry somewhat higher risk, but still acceptable risk; and
- ✓ Those that carry a high or unacceptable risk of money laundering and terrorism financing.

RISK MITIGATION AND CONTROLS MEASURES

The Securities Broker shall consider the following Risk Mitigation Measures:

Determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by particular customers;

Setting transaction limits for higher-risk Customers such as:

Individual customers	Rs. 5 million net of Sale and Purchase, in a month, for a particular date. However, on the basis of past record the staff can make transactions if cash and shares are available in such accounts.
Corporate customers	Rs. 25 million net of Sale and Purchase for a particular date
Foreigner Individual	\$ 1 million net of Sale and Purchase for a particular day
Foreigner Corporate	\$ 5 million net of Sale and Purchase for a particular day

- ✓ Requiring senior management approval (CEO/Director/COO) 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).

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ENHANCED DUE DILIGENCE (EDD)

Progressive Securities shall be required to perform Enhanced Due Diligence for the following High risk customers and transactions:

- ✓ Persons or transactions involving a country identified as higher risk by FATF
- ✓ Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
- ✓ Clients residing or doing business, in border areas.
- ✓ Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment.

Progressive Securities, shall apply enhanced CDD measures for high risk business relationships which include:

- ✓ Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- ✓ Updating more regularly the identification data of applicant/customer and beneficial owner;
- ✓ Obtaining additional information on the intended nature of the business relationship;
- ✓ Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- ✓ Obtaining additional information on the reasons for intended or performed transactions;
- ✓ Obtaining the approval of senior management to commence or continue the business relationship; and 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.

Following factors should be considered to identify persons or transactions from the high risk countries/territories

- ✓ Publicly available information;
- ✓ Sanctions list issued by the UN;
- ✓ FATF high risk and non-cooperative jurisdictions;
- ✓ FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index;

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. 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.

Categories of PEPs

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

1. Foreign PEPs

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Individuals who are, or have been entrusted with prominent public function by a foreign country, for example heads of state or government, senior politicians, senior government, judicial or military officials.

2. Domestic PEPs

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

3. International Organization PEPs

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

4. Family Members

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

5. Close Associates

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

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

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

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

Following additional red flags should be considered for PEP:

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

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

- ✓ The level of (informal) influence that the individual could still exercise; and whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).

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Approval by senior management (CEO/Director/COO) shall be sought before establishing business relationships with PEPs. Additionally, where appropriate, a STR shall be filed.

General

The concerned employee will verify the information at the time new accounts are opened, if possible, but in most situations not later than five business days after opening.

Customer's identity shall be verified through documentary evidence, non-documentary evidence, or both. In light of the increased instances of identity fraud, verification may be supplemented with the use of non-documentary evidences as well. In verifying customer identity, any logical inconsistencies in the information obtained shall also be taken into account.

If the true identity of the customer is still in question the customer shall be notified the same and additional information to verify the customer's identity will be requested. Same case shall be forwarded to Compliance Officer.

COMPLIANCE CHECK

The Compliance Officer shall check the account opening forms along with all annexure before allowing the Customer to start Business Relation with the GSPL;

If there is any discrepancy in the Account Opening process, the Compliance Officer shall communicate the same to Front Office/Dealer/Sale Person for rectification of the same;

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; and

The Compliance Officer shall do the Risk Profiling of the Customer based on Risk Assessment of the Customer.

INTERNAL AUDIT PROCESS

Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis and also, in the light of PNRA Report.

In case of discrepancies/non-compliances observed during audit process, the findings and along with recommendations shall be communicated to the top management.

Internal Auditor shall follow-up their findings and recommendation until their complete rectifications.

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

Enhanced Client Identification Procedures for 'high risk' natural persons as Clients include,

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but are not limited to, the following:

- ✓ Assessing the Client's business reputation.
- ✗ Considering the source of the Client's wealth:
- ✗ Reviewing generally available public information.
- ✓ Persons or transactions involving a country identified as higher risk by FATF
- ✓ Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
- ✓ Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment

Progressive Securities shall apply enhanced CDD measures for high risk business relationships which include:

- ✓ Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- ✓ Updating more regularly the identification data of applicant/customer and beneficial owner;
- ✓ Obtaining additional information on the intended nature of the business relationship;
- ✓ Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- ✓ Obtaining additional information on the reasons for intended or performed transactions;
- ✓ Obtaining the approval of senior management to commence or continue the business relationship; and 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.

Following factors should be considered to identify persons or transactions from the high risk countries/territories

- ✓ Publicly available information;
- ✓ Sanctions list issued by the UN;
- ✓ FATF high risk and non-cooperative jurisdictions;
- ✓ FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index

Useful websites include:

FATF website: www.fatf-gafi.org ; and

Transparency International website: www.transparency.org

Unusual large and complex transactions and all unusual patterns of transactions that have no apparent economic or lawful purpose should be examined and conduct enhanced CDD Measures consistent with the risk identified.

Enhanced CDD measures should be taken for following type of suspicious accounts:

- ✓ The Customer instructs not to issue any correspondence to the accountholder's address; hold Mail" accounts; and where the evidence of identity of the account holder is not already in the file.

EDD measures include but are not limited to the following-

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Obtain approval from senior management (CEO/Director/COO) to establish or continue business relations with such customers;

- ✓ Establish, by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds, as appropriate including regulated person's own assessment to this effect; and Conduct during the course of business relations, enhanced monitoring of business relations with the customer

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

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

- a. Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- b. Reviewing recent changes in the ownership or senior management of the Client;
- c. Conducting a visit to the Client's place of business and conducting a face-to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- d. Reviewing generally available public information.-

7.4. Simplified Due Diligence (SDD)

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

SDD measures shall include:

- ✓ Decreasing the frequency of customer identification updates;
- ✓ Reducing the degree of on-going monitoring and scrutinizing transactions based on
 - a reasonable monetary threshold; and

SDD measures should not be considered in following situations:

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

8. General Reporting Procedures

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

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

9. Other Offences - Failure to Report Offences

- ✓ Failure by an individual in the Company, to inform the Regulatory Authority or the Progressive Securities' Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering;
- ✓ Failure by Compliance Officers in the regulated sector to make the required report to Regulatory Authority as soon as practicable, if an internal report leads them to know or suspect that a person is engaged in money laundering.

10. Client Records Retention

Copies of all documents related to Progressive Securities' Client Identification Procedures will be retained for an appropriate period of time and, at a minimum, the period of time required by applicable law or regulation.

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

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

Progressive Securities shall, however, retain those records for longer period where transactions, customers or accounts involved litigation or it is required by court or other competent Authority.

Progressive Securities, shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including Law enforcement agencies and FMU for supply of information and records as per law.

11. Review of Existing Client Base and Detection of Suspicious Activity

The Progressive Securities shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk but without

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compromise on identity and verification requirements.

The Compliance Officer will identify suspicious transactions for identification of patterns of unusual size, volume, pattern or type of transactions etc. Transactions including deposits and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction for that customer.

Such transactions shall be reported to the Compliance Officer or his or her designee who will be responsible for monitoring, and will document when and how it is carried out, and will report suspicious activities to the appropriate authorities.

AML Compliance Officer will conduct an appropriate investigation before filing such report to the FMU keeping in mind that investigation shall not be in the manner that may be categorized as tipping-off to the customer

The Compliance Officer shall coordinate a periodic review of the Progressive Securities' existing clients and ensure the adequacy of due diligence performed on existing clients. In addition, Progressive Securities policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious or not.

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

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

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

12.1. Where CDD Measures are not completed

If the CDD of an existing customer is found unsatisfactory, the relationship should be treated as High Risk and reporting of suspicious transaction be considered as per law and circumstances of the case.

For existing customers who opened accounts with old CNICs or old account opening form, the Progressive Securities shall ensure that same shall be present in Progressive Securities' records. The Progressive Securities may INACTIVATE the accounts without CNIC and account opening form (after serving one-month prior notice) until the subject regulatory requirement is fulfilled.

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On-going due Diligence

Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. In order to guard against misuse of Progressive Securities' channel against criminal transactions, one needs to be vigilant at all the times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the customer's profile, risk category, historical pattern of the transactions and their historic funding source.

12.2. Recognizing & Reporting of STRs (Suspicious Transactions)

STRs include detailed information about transactions that are or appear to be suspicious in terms of AML Act 2010. Progressive Securities (Pvt.) Ltd. 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.

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. "The regulated person will report the CTRs, for the transaction of Rs. 2.00 million and above, as per requirements of AML (GOAML).

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 Progressive Securities (Pvt.) Ltd. 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.

12.3 Cash Transactions (CTR)

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

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

*. If the Progressive Securities decides that a disclosure should be made, the law requires the PROGRESSIVE to report STR without delay to the FMU, in standard form as prescribed under AML Regulations 2015. The STR prescribed reporting form can be found on FMU website through the link

<http://www.fmu.gov.pk/docs/AMLRegulations2015.pdf>.

Reporting to Commission and FMU:

* Progressive Securities is required to report total number of STRs filed to the Commission on biannual basis within seven days of close of each half year.

* Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:

* the date of the report;

* the person who made the report;

* the person(s) to whom the report was forwarded; and

* reference by which supporting evidence is identifiable.

* Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), the Progressive Securities shall consider filing a STR.

* Where an attempted transaction gives rise to knowledge or suspicion of ML/TF, the Progressive Securities shall report attempted transaction to the FMU.

* Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity The Progressive Securities shall ensure that appropriate action is taken to adequately mitigate its risk being used for criminal activities.

13. Registration Details Update

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In accordance to the Directives under the PSX Rule book, CDC Regulations an Updation in Registration detail of any client can only be done after obtaining of the below mentioned document.

i. Contact Details Update

For change of contact details i.e. contact number, local mobile number, email address etc. duly signed letter or Updation Form or by an email sent through registered email address is required as per the operating instructions. However,

ii. Zakat Status Update

To update Zakat status as Zakat non-payable, letter or Updation Form along with notarized copy of Zakat Declaration is required.

iii. Dividend Mandate Update

Dividend Mandate i.e. bank details for receiving dividend warrant directly into bank account is added/updated after getting IBAN number.

iv. NTN Update

NTN is updated either upon receiving duly signed letter/Updation Form or by an email sent through registered email address.

v. Signature Update

Physical presence is required along with original CNIC to update the record.

14. Account Closing

Duly filled and signed Account Closing Request / Form from customer. Further account will be closed after approval from NCCPL.

15. Employees Due Diligence & Screening

In order to ensure that unscrupulous elements do not become employees/agents, appropriate screening procedures should be followed to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism To complete the process the HR department must issue confidential letters to the last employer and employee provided reference.

Employee reference must be non-blood relatives and preferred to be from the employees of past employers.

16. New Products, Practices And Technologies

Progressive Securities (Pvt.) Ltd shall also follow the methodology for Internal Risk Assessment as required by PNRA Report. The concepts as defined by PNRA report, i.e. threat,

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vulnerabilities, inherent risk, consequences and likelihood of ML/TF and remedial measures / controls will be taken into consideration. The vulnerabilities will be assessed by considering the products and services offered, the customers, the geographical reach and delivery channels available.

17. Regular Review/Audit of the Manual

A regular review of the program should be undertaken to ensure that it is functioning as designed. Such a review could be performed by internal resources.

If and when regulations are amended concerning reporting of suspicious activities, Progressive will amend this AML/CFT Policy & Procedures to comply with those regulations.

18. Policy Review Period

The policies reviewed by Board of Directors as on November 01, 2019, and the AML/CFT Policy & Procedures will be reviewed on as and when required basis.