

**DARSON  
SECURITIES  
(PRIVATE) LIMITED**

**KNOW YOURCUSTOMER  
(KYC) AND ANTI-MONEY  
LAUNDERING (AML)  
POLICIES AND  
PROCEDURES**

**Darson Securities (Private) Limited  
KYC and AML Policies and Procedures**

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## ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
DSL	Darson Securities (Private) Limited.
ARC	Aliens Registration Card
CNIC	Computerized National Identity Card
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
KYC/CDD	Know Your Customer/ Customer Due Diligence
ML	Money Laundering
NADRA	National Database & Registration Authority
NGOs/NPOs	Non-governmental Organizations or Non-profit Organizations
NICOP	National Identity Card for Overseas Pakistanis
NTN	National Tax Number
PEP	Politically Exposed Person
SDD	Simplified Due Diligence
SAOF	Standardized Account Opening Form
SECP	Securities & Exchange Commission of Pakistan
STR	Suspicious Transaction Report
CTR	Cash Transaction Report
TF	Terrorist Financing
FMU	Financial Monitoring Unit

# **Darson Securities (Private) Limited**

## **KYC and AML Policies and Procedures**

### **FOREWORD**

The Document containing detailed guidelines on KYC Policy and AML Procedures that would assist management and staff to fully understand their obligations. This would particularly help our front-end staff having direct inter-action with the customers. New regulations and subsequent amendments will require a regular update of procedures and skills to remain in line with best practices followed.

Money Laundering is the process by which proceeds derived from a criminal activity are disguised in an effort to conceal their illicit origins and to legitimize their future use.

Money Laundering is a global problem. Regulatory Policies across the globe are focused towards strict compliance of Anti Money Laundering (AML) and Know Your Customer (KYC) Laws/ Regulations. Consequently, the Brokerage House is required to know its customers as well as their business.

We expect every employee to carefully study these guidelines, which will help assist them to meet their regulatory obligations. With concerted efforts and team work, we should be able to meet the challenge of preventing money laundering successfully.

The Policies in the Document are minimum requirements under normal circumstances. It is the responsibility of front end office executives to identify and establish additional controls to curb money laundering and strengthen Know Your Customer Policies and procedures. These guidelines are of course not the final word, but merely a risk advising guidelines and the essence of these guidelines and policies is the one key word, "KYC".

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## PART 1

### DEFINATION, PURPOSE AND STRATEGY

#### 1) INTRODUCTION

Darson Securities (Private) Limited ("DSL") is Brokerage House which deals with almost all Investors and High Net worth Individuals. Therefore, in order to protect its clients from increasing danger of money laundering, there needs to be a KYC and AML Policy to ensure protection of its interest and so of its participants.

Securities and Exchange Commission of Pakistan ("SECP") in respect of preventing and combating ML and TF issued Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018. The SECP AML/CFT Regulations require Securities Brokers to establish systems to detect Money Laundering and Terrorist Financing. Therefore, to ensure the protection of Darson Securities (Private) Limited from being abused for money laundering or financing terrorism, Darson Compliance has designed policy that is updated on latest guidelines provided by SECP.

#### 2) PURPOSE OF DOCUMENT

This Document sets out the Company's comprehensive policies and procedures for preventing money laundering, including detailed account opening and Know Your Customer procedures.

The purpose is to assist all members of management and staff to understand:

- ✓ The legal requirements and the different penalties for non-compliance;
- ✓ What the Company requires of you; and
- ✓ How to recognize money laundering and the action you must take if you do.

All members of the Company's management and staff are expected to:

- ✓ Be aware of their personal legal obligations and the legal obligations of the Company;
- ✓ Be aware of the Company's Policy and follow the Company's procedures;

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- ✓ Be alert for anything suspicious; and
- ✓ Report suspicions in line with internal procedures.

### **3) WHAT IS MONEY LAUNDERING**

Money laundering means the methods criminals use to hide and disguise the true nature and origin of the money they make from their crimes.

The term "laundering" is used because criminals need to turn their "dirty" criminal money into clean funds that they can use without arousing suspicion. Getting the criminal money into the financial system means that it becomes harder to trace and confiscate. Drug traffickers, armed robbers, terrorists, illegal arms dealers, fraudsters, and tax evaders all need to launder the proceeds of their crimes.

### **4) STAGES OF MONEY LAUNDERING**

The first step in the laundering process is for criminals to attempt to get the proceeds of their crimes into financial institution, sometimes using a false identity. They can later transfer proceeds to any other bank or equity accounts, in Pakistan or abroad, or withdraw it to buy other goods or services. It eventually appears to be like any legally earned money and becomes difficult to trace back to its criminal past. The criminals can then invest or spend it or, as is often the case, use it to fund more crime.

The laundering process is often described as taking place in three stages:-

#### **1. Placement**

Placement, being the first stage is the means by which funds derived from a criminal activity are introduced into the financial system. This can be in the form of large sums of cash or a series of smaller sums.

#### **2. Layering**

The aim of the second stage is to disguise the transaction through a succession of complex financial transactions i.e. conversion into shares, bonds, income fund units with the purpose of erasing as quickly as possible all links with its unlawful origin.

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## 3. Integration

Complex integration schemes then place the laundered funds back into the economy through real estate, business assets, securities and equities, in such a way that they re-enter the financial system appearing as normal business funds that have been legitimately earned

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## PART 2

### 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

DSL 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

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

##### 1. DSL 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

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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.

### 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. RISK ASSESSMENT

DSL 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.

DSL 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

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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.

### **5. 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;
- ✓ 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;
- ✓ 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.

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- **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.

### **6. RISK MITIGATION**

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

- ✓ determine the scope of the identification and verification requirements;
- ✓ set transaction limits for higher-risk customers;
- ✓ obtain senior management approval for higher-risk transactions;
- ✓ ongoing monitoring by senior management; and
- ✓ determine the circumstances under which they may refuse to take on or reject high risk customers.

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## PART 3

### 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 it 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 DSL 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.

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- ✓ 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 DSL 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.
- ✓ 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.

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- ✓ 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.

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## PART 4

### PROCEDURES AND PRACTICES

#### 1. DSL POLICY

It is the Policy of Darson Securities (Private) 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 DSL 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.

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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 Darson Securities (Private) 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.

### **4. 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

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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.).

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

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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.

### **2. 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.

### **3. 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:

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

#### **4. 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 DSL 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.

#### **5. CLIENT REGISTRTION**

DSL 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:

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- 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.

### **6. 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.

DSL 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

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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.

### **7. 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.

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## 8. ON-GOING DUE DILIGENCE

It shall be ensured that on-going Due Diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with the company's knowledge of the customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.

It shall be ensured that the customers' records are updated at regular intervals and sufficient information is obtained regarding any significant change in the customers' profiles.

## 9. RECORD-KEEPING PROCEDURES

DSL should ensure that all information obtained in the context of CDD is recorded for a minimum period of five years.

Where there has been a report of a suspicious activity, records relating to that activity or the customer should be retained until confirmation is received that the matter has been concluded.

Records relating to verification of identity will generally comprise:

- 1) a description of the nature of all the evidence received relating to the identity of the verification subject; and
- 2) the evidence itself or a copy of it.

Records relating to transactions will generally comprise:

### **1) details of personal identity, including the names and addresses, of:**

- a) the customer;
- b) the beneficial owner of the account or product; and
- c) Any counter-party

### **2). details of securities and investments transacted including:**

- a) the nature of such securities/investments;

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- b) valuation(s) and price(s);
- c) memoranda of purchase and sale;
- d) source(s) and volume of funds and securities;
- e) destination(s) of funds and securities;
- f) memoranda of instruction(s) and authority(ies);
- g) book entries;
- h) custody of title documentation;
- i) the nature of the transaction;
- j) the date of the transaction;
- k) the form (e.g. cash, cheque) in which funds are offered and paid out.

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## PART 5

### 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.

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## PART 6

### 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.

RPs 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;

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- 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.

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### **PART 7**

#### **REPORTING**

##### **1) REPORT TO SECP**

DSL 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.

##### **2) 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.

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**PART 8**

**Annexure - A**

Sr. No	Nature of Account	Documents/papers to be obtained
1.	Individuals	<p>A photocopy of any one of the following valid identity documents;</p> <ul style="list-style-type: none"> <li>(i) Computerized National Identity Card (CNIC) issued by NADRA.</li> <li>(ii) National Identity Card for Overseas Pakistani (NICOP) issued by NADRA.</li> <li>(iii) Pakistan Origin Card (POC) issued by NADRA.</li> <li>(iv) Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior (local currency account only).</li> <li>(v) Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only).</li> </ul>
2.	Sole Proprietors	<ul style="list-style-type: none"> <li>(i) Photocopy of identity document as per Sr. No. 1 above of the proprietor.</li> <li>(ii) Registration certificate for registered concerns.</li> <li>(iii) Sales tax registration or NTN, wherever applicable. Certificate or</li> <li>(iv) proof of membership of trade bodies etc, wherever applicable. Declaration of sole proprietorship on business letter head. Account</li> <li>(v) opening requisition on business letter head.</li> </ul>
3.	Partnership	<ul style="list-style-type: none"> <li>(i) Photocopies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories.</li> <li>(ii) Attested copy of 'Partnership Deed' duly signed by all partners of the firm.</li> <li>(iii) Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact shall be clearly mentioned on the Account Opening Form. Authority letter from all</li> <li>(iv) partners, in original, authorizing the person(s) to operate firm's account.</li> </ul>
4.	Limited Companies/ Corporations	<ul style="list-style-type: none"> <li>(i) Certified copies of: <ul style="list-style-type: none"> <li>(a) Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account (not applicable for Single Member Company);</li> <li>(b) Memorandum of Association;</li> <li>(c) Articles of Association (wherever applicable);</li> <li>(d) Certificate of Incorporation;</li> <li>(e) SECP registered declaration for commencement of business as required under Companies Act 2017; and</li> <li>(f) List(s) of Directors required to be filed under Companies Act 2017, as applicable.</li> </ul> </li> </ul>

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		<p>(ii) Photocopies of identity documents as per Sr. No. 1 above of all the directors and persons authorized to open and operate the account;</p> <p>(iii) For individual (natural person) shareholders holding 20% or above stake (10% or above in case of EDD) in an entity, identification and verification of such natural persons; and</p> <p>(iv) For legal persons holding shares equal to 20% or above in an entity, identification and verification of individual (natural person) shareholders holding shares equal to 20% or above of that legal person.</p>
5.	Branch Office or Liaison Office of Foreign Companies	<p>(i) A copy of permission letter from relevant authority i-e Board of Investment.</p> <p>(ii) Photocopies of valid passports of all the signatories of account.</p> <p>(iii) List of directors on company letter head or prescribed format under relevant laws/regulations.</p> <p>(iv) A Letter from Principal Office of the entity authorizing the person(s) to open and operate the account.</p>
6.	Trust, Clubs, Societies and Associations etc	<p>(i) Certified copies of:</p> <p style="padding-left: 20px;">(a) Certificate of Registration/Instrument of Trust</p> <p style="padding-left: 20px;">(b) By-laws/Rules &amp; Regulations</p> <p>(ii) Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account.</p> <p>(iii) Photocopy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body.</p>
7.	NGOs/ NPOs/Charities	<p>(i) Certified copies of</p> <p style="padding-left: 20px;">(a) Registration documents/certificate</p> <p style="padding-left: 20px;">(b) By-laws/Rules &amp; Regulations</p> <p>(ii) Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account.</p> <p>(iii) Photocopy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body.</p> <p>(iv) Any other documents as deemed necessary including its annual accounts/ financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customer.</p>
8.	Agents Accounts	<p>(i) Certified copy of 'Power of Attorney' or 'Agency Agreement'.</p> <p>(ii) Photocopy of identity document as per Sr. No. 1 above of</p>

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		the agent and principal. (iii) The relevant documents/papers from Sr. No. 2 to 7, if agent or the principal is not a natural person.
9.	Executors and Administrators	(i) Photocopy of identity document as per Sr. No. 1 above of the Executor/Administrator. (ii) A certified copy of Letter of Administration or Probate.
10.	Minor Accounts	(i) Photocopy of Form-B, Birth Certificate or Student ID card (as appropriate) shall be obtained from minor. (ii) Photocopy of identity document as per Sr. No. 1 above of the guardian of the minor.

**Note:**

- The photocopies of identity documents shall be validated through NADRA verisys.
- In case of a salaried person, in addition to CNIC, an attested copy of his service card or certificate on letter on letter head of the employer will be obtained.
- In case of an individual with shaky/immature signatures, in addition to CNIC, a passport size photograph of the new account holder will be obtained.
- In case of expired CNIC, account may be opened on the basis of attested copies of NADRA receipt/token and expired CNIC subject to condition that DSL Staff (relevant Dept.) shall obtain copy of renewed CNIC of such customer within 03 months of the opening of account. For CNICs which expire during the course of the customer's relationship, Relevant dept. of DSL Staff (relevant Dept.) shall generate alerts about the expiry of CNICs at least 01 month before actual date of expiry and shall continue to take reasonable measures to immediately obtain copies of renewed CNICs, whenever expired. In this regard, DSL Staff is also permitted to utilize NADRA Verisys reports of renewed CNICs and retain copies in lieu of valid copy of CNICs. However, obtaining copy of renewed CNIC as per existing instructions will continue to be permissible.

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- In case the CNIC does not contain a photograph, DSL employee shall obtain following-
  - ✓ A duly attested copy of either driving license, service card, nikkah nama, birth certificate, educational degree/certificate, pension book, insurance certificate.
  - ✓ A photograph duly attested by gazette officer/administrator/ officer of the regulated person.
  - ✓ A copy of CNIC without photograph duly attested by the same person who attested the photograph.
- The condition of obtaining Board Resolution is not necessary for foreign companies/entities belonging to countries where said requirements are not enforced under their laws/regulations. However, such foreign companies will have to furnish Power of Attorney from the competent authority for establishing Business Relationship to the satisfaction of the DARSON Securities Pvt Ltd.
- The condition of obtaining photocopies of identity documents of directors of Limited Companies/Corporations is relaxed in case of Government/Semi Government entities, where regulated person must obtain photocopies of identity documents of only those directors and persons who are authorized to establish and maintain Business Relationship. However, DSL Staff shall validate identity information including CNIC numbers of other directors from certified copies of 'Form A/Form B' and 'Form 29' and verify their particulars through NADRA Verisys. The Verisys reports should be retained on record in lieu of photocopies of identity documents.
- ✓ Employees who violate any of the anti-money laundering regulations or the policies and procedures outlined in this Document will be subject to disciplinary action.

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### *Reporting of Suspicious Circumstances*

If there are any suspicious circumstances surrounding the opening or operation of any account, the matter must be reported immediately to the Compliance Head. If it is established that the transaction under review is suspicious, Compliance Head after due diligence and necessary checks will report the transaction to SECP.

If there is any doubt about the legality or acceptability of any document, immediate reference must be made to Compliance Head.