

**POLICY GUIDELINES FOR KNOW YOUR
CUSTOMER (KYC) AND ANTI-MONEY
LAUNDERING (AML) PROCEDURES**

**HANDBOOK FOR
MANAGEMENT AND STAFF**

November 2006

POLICY GUIDELINES FOR KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML) PROCEDURES

Foreword

The Hand Book containing detailed guidelines on KYC Policy and AML Procedures would assist management and staff to fully understand their obligations. This would particularly help our front-end staff having direct interaction 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. Seen in this perspective, your company has designed an Account Opening Form which has to be completed in all perspective by the customers. 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 handbook 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".

INTRODUCTION

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.

Money laundering is a global problem. All financial centres are vulnerable and all financial institutions within those centres need to play their part in preventing the criminals from successfully laundering their criminal money.

COMPANY'S ROLE IN PREVENTING MONEY LAUNDERING

The prevention of money laundering from the point of view of KASB Securities Ltd has three objectives:

Ethical - taking part in the fight against crime.

Professional - ensuring that the Company is not involved in recycling the proceeds of crime that would call into question its reputation, integrity and, if fraud is involved, its solvency.

Legal - complying with laid down Regulations that impose a series of specific obligations on Company and its employees.

There are criminal penalties for assisting money launderers. However, increased vigilance by the staff members will protect the Company from the associated risks i.e. adverse publicity and loss of public confidence, confiscation by court of assets held by Company as Collateral etc.

PURPOSE OF THIS HANDBOOK

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

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:-

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. Initial proceeds of drug trafficking or street sales of drugs are always in cash.

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.

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.

THE COMPANY'S VULNERABILITIES

Cash based societies and countries without fully comprehensive anti-money laundering programmes 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.

In addition, preventative measures put in place by Banks over the past decade have resulted in the need for criminals to use more complex routes to gain access to the financial system, rather than placing their cash directly into the bank.

THE CURRENT LEGAL POSITION AND PENALTIES

POSITION

Brokerage Houses are required to take immediate notice and 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 Brokerage House 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.

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

- It is an offence 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.
- In the case of drug trafficking or terrorist financing, if you form 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.
- You are categorically advised that unless it is established upon investigation / enquiry that the transactions in question are for unlawful purposes and have no economic, commercial or lawful business purposes, such transactions must not be reported as suspicious transactions. Otherwise, the Brokerage House might be involved in damage suit by such equity account- holder(s).
- The procedures Brokerage House has developed to combat Money Laundering include:
 - The verification of new client identification and know your customer and his business.
 - Retention of records. .
 - Recognition and reporting suspicions of money laundering.

WHAT DOES THIS MEAN IN PRACTICE?

You are not committing an offence if you **do not know or suspect** that funds relate to drugs, terrorism or other serious crime. You are committing an offence if **knowing or suspecting** that someone is involved in any serious crime you:

- assist them to obtain control or retain their proceeds, or
- give them any help in investing or transferring those proceeds, or
- advise them that you, or another colleague is suspicious of their activities.

In practice, of course, you are generally not likely to know and may not realise or suspect that there was anything suspicious about a transaction until it is all over and the customer has gone away. If that happens, your duty is clear. You must report your suspicion; you will not be criticised that you were not suspicious immediately.

If you do not report your suspicion and the funds are related to drugs or terrorism, you will have committed an offence of failure to report. If you do not report your suspicion concerning any criminal money, whether relating to drugs, terrorism, tax evasion or any other serious crime, you may also need to defend an action against you for deliberately assisting the criminal.

If you are suspicious, you discuss it with your line manager. If you both agree that the transaction is suspicious, you must report it to the Compliance Officer (CO). The CO will immediately scrutinize and report to SECP.

THE POLICY

It is the Policy of KASB Securities Ltd 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 Brokerage House's services being abused for the purposes of laundering funds associated with drug trafficking, terrorism and other serious crime.
- The Brokerage House 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 Brokerage House reasonable cause to believe or suspect involvement with illegal activities will be reported by the Compliance Officer to the SECP after proper scrutiny / enquiry 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 Brokerage House committing a tipping-off offence. Wherever possible, the relationship will be terminated.

PROCEDURES WILL BE MAINTAINED TO ENSURE THE FOLLOWING:

That the identities of all persons conducting business with the Brokerage House are properly verified and sufficient information gathered and recorded to permit the Brokerage House to "know its customer" and predict the expected pattern of business.

Prospective business where all of the required information cannot be obtained without a justifiable reason is declined.

Potential new relationships that do not appear to be legitimate are declined.

Transactions offered by equity account holders do not appear legitimate are declined.

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.

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 Brokerage House's compliance with its anti-money laundering obligations and acting on the findings and recommendations.

THE COMPLIANCE HEAD IS RESPONSIBLE FOR:

- Ensuring that staff is aware of their obligations and the Brokerage House's procedures, and that staff are adequately aware of money laundering prevention.
- Representing the Brokerage House to all external agencies in Pakistan in relation to money laundering compliance.
- Ensuring that all segments of the Brokerage House 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.

ALL EMPLOYEES ARE RESPONSIBLE FOR:

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

VERIFICATION OF IDENTITY/KNOW YOUR CUSTOMERS

KNOW YOUR CUSTOMER (“KYC”)

The general perception of front office staff on KYC / AML policy is inaccurate that regulations make the new account opening difficult. On the contrary, proper account documentation and KYC procedures provide satisfaction and protection to the staff against unforeseen events and assist in establishing relationship in accordance with the Brokerage House’s policies. Getting maximum reliable information about the customer is the basic principle of good broking which enables the Brokerage House to do business with genuine customers. Staff should prudently ensure that all the necessary documents have been obtained at the time of account opening.

The Brokerage House 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 Brokerage House, establishing sources of income and expected patterns of transactions, and keeping that information up to date, to show what might be regarded as normal activity for that customer.

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

CUSTOMER IDENTIFICATION – GENERAL PRINCIPLES

The Need to Verify Identity and Address

The Brokerage House 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.).

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 should 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.

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. For example:

- the ID card is not expired;
- the documents are duly attested; and
- all documentary evidence, information and signatures are consistent;

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.

CUSTOMER IDENTIFICATION – WHO’S IDENTITY MUST BE VERIFIED

Establishing the identity of anyone who wishes to do business with the Brokerage House is vital. For all applicants the Brokerage House is required to be satisfied that:

- the person we are dealing with is who she/he says they are and lives permanently at the address they have given;
- the sole trader, partnership, company we are dealing with is a legitimate business with a known address and represents legitimate owners.

Therefore, 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 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.

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

When a prospective customer does not yet have a permanent residential address, **documentary evidence of the temporary address should be obtained and an undertaking received from the customer that documentary evidence of the permanent address will be provided to the Brokerage House** immediately as it is available.

Accounts must not be opened on the strength of faxed documentation. Only original or certified photocopy documentation is acceptable.

DOCUMENTATION REQUIREMENTS TO OPEN ACCOUNT

The following documents are required to be obtained as a minimum from the customers when they open account along with KYC and Account Opening Form. No exception is allowed.

S.number	Nature of Account	Documents to be Obtained
1	<i>Individuals/ Proprietorship</i>	<ol style="list-style-type: none"> 1. <i>Attested photo copy of Computerized National Identity Card (CNIC) or Passport by a Gazetted Officer or an Officer of the Bank /DFI.</i> 2. <i>In case the CNIC does not contain a photograph please obtain other document such as Driving License etc. that contains a photograph.</i> 3. <i>In case of a salaried person, attested copy of his service card, or any other acceptable evidence of service, including, but not limited to a certificate from the employer (does not apply to proprietorship).</i>
2	<i>Partnership</i>	<ol style="list-style-type: none"> 1. <i>Attested photo copy of Identity Card of all partners</i> 2. <i>Attested copy of "Partnership Deed" duly signed by all partners of the firm</i> 3. <i>Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact should be clearly mentioned on the Account Opening form</i> 4. <i>Authority Letter, in original, in favor of the person authorized to operate on the account of the firm</i>
3	<i>Joint Stock Companies</i>	<p><i>Certified copies of:</i></p> <ol style="list-style-type: none"> 1. <i>Resolution of Board of Directors for opening of account specifying the person(s) authorized to operate the company account.</i> 2. <i>Memorandum and Articles of Association.</i> 3. <i>Certificate of Incorporation.</i> 4. <i>Certificate of Commencement of Business.</i> 5. <i>Attested photo copies of identity cards of all the directors</i> 6. <i>List of Directors on Form 29 issued by the Registrar Joint Stock Company</i>
4	<i>Clubs, Societies and Associations</i>	<p><i>Certified copies of:</i></p> <ol style="list-style-type: none"> 1. <i>Certificate of Registration</i> 2. <i>By-laws/Rules & Regulations</i> 3. <i>Resolution of the Governing Body/Executive committee for opening of account authorizing the person(s) to operate the account and attested copy of the identity card of the authorized persons</i> 4. <i>An undertaking signed by all the authorized persons on behalf of the institution mentioning that when any change takes place in the persons authorized to operate on the account, the banker will be informed immediately</i>
5	<i>Trust Account</i>	<ol style="list-style-type: none"> 1. <i>Attested copy of Certificate of Registration</i> 2. <i>Attested photo copy of identity cards of all the trustees</i> 3. <i>Certified copy of the "Instrument of Trust".</i>

PROCEDURES WHERE IDENTIFICATION CANNOT BE COMPLETED

Business where all of the required information cannot be obtained will be declined. Exceptions will only be permitted on the decision of Compliance Head, who will determine whether there are genuine reasons for the information or documentation not being available. In cases where there are no valid explanations for the absence of the information or documentation, the circumstances must be reported as a possible suspicion.

Circumstances for Declining New Accounts

New relationship that does not appear to be legitimate including those where the applicant does not supply essential documentation or proof of identity and address must be declined.

MAINTAINING RECORD FOR THE ACCOUNTS OPENED AND CLOSED

Equity Settlement will keep a record of all accounts opened and closed. Equity Settlement Head will send a monthly report of all accounts opened and closed to the Local Compliance Officer. Report will show the title of account, type, and address of account opened and last balance of accounts that were closed. AOF and record of accounts opened and closed must be maintained for 5 years after the relationship has ended.

KNOWING THE CUSTOMER'S BUSINESS

It is not sufficient only to identify the customer, it is also necessary to understand the customer's business and the use to be made of the account i.e. investment or trading account. Knowing the customer obviously includes knowing who the customer is and where he / she lives or conducts their business, but KYC is also about what the customer does, his/her/their financial circumstances and how the account will be used.

Directors of Private Companies must confirm whether they are the principal shareholders and, if not, the beneficial owners of the company must be identified.

KYC information is needed to establish a pattern of expected activity and can assist the Brokerage House:

- to recognize unusual transactions and thus protect the Brokerage House from fraud; and
- to recognize any unusual transaction which might raise suspicion of money laundering.

No account should be opened until a satisfactory understanding of the customer's business has been obtained and documented on the Know Your Customer form.

Knowing the customer's business is not a "one off" event.

Regular contact with the customer must be used to keep such knowledge up to date and appropriate notes must be placed in the customer's file. All information gathered during the monitoring of existing client accounts which updates knowledge of the customer and his/her business must be the subject of a similar note for the file.

REVIEWING AND MONITORING CUSTOMER ACCOUNTS

THE NEED FOR VIGILANCE

Whilst it can be assumed that the majority of customers are honest and that their transactions are legitimate, this is not always the case. As with all Brokerage Houses, there will be some prospective customers who approach the Brokerage House with the deliberate intention of using our services to launder criminal funds. It is hoped that the Brokerage House's enhanced procedures for account opening will identify these situations at the outset.

However, it is not only prospective customers who may put the Brokerage House at risk. Occasionally, customers may seek deliberately to build up a degree of trust before they use the Brokerage House for other purposes; others may turn to crime because of a change in their personal circumstances. It is possible, therefore, that some existing customers may become deliberately or unintentionally involved in money laundering. It is therefore vital that all

staff is vigilant and that all unusual transactions for any customers are identified, discretely researched and, where there is a suspicion of money laundering, a report is made to the Compliance Head.

The foundation of any monitoring procedure lies in the initial collection of identification and “know your customer” information and the ongoing updating of that information. Updating arises from regular contact with the customer and the results of regular monitoring procedures.

The nature of the business that a customer expects to conduct must be ascertained when the account is opened and regularly updated. This will enable management and staff to judge whether the customer’s transactions are in line with expectations or whether unusual transactions give cause for concern and possible suspicion that criminal money may be involved.

The initial period of any new customer relationship presents the greatest vulnerability and therefore warrants additional monitoring procedures. Once the initial period (up to the first six months) is over, ongoing routine monitoring covering all transactions becomes the norm.

Dormant and inactive accounts need to be monitored to respond to any transaction which, because of the ‘dormant’ nature of the account, is unexpected or unusual and warrants particular review or approval.

UPDATING KNOWLEDGE OF THE CUSTOMER

Staff members need to keep themselves up to date of the customer with particular reference to:

- documenting the customer's broking habits and patterns of transactions;
- documenting events or changes that are considered important for a sound knowledge of customers and their activities;
- noting customers with particularly large sums being credited to / debited from their accounts;
- providing easy and immediate access to customer and KYC information for the Compliance Head ; and
- ensuring that the true beneficial owner and source of all funds is known.

A file note must be completed recording every meeting and telephone conversation with the customer and filed in the customer file.

Accounts where there is little personal contact with the customer should be subject to review on a regular basis to ensure that any change of address or changes in circumstances that have been notified are recorded. Particular attention should be paid to any new sources of income or unexpected use of the account.

If at any time any member of staff believes that the level and nature of activity in an account is not consistent with the known business or profession of the customer, or if the transactions otherwise appear to be unusual or suspicious, a report should be made to the Compliance Head.

SEMI ANNUAL REVIEW OF ACCOUNTS

All dealers are responsible for monitoring the activity on their customers’ accounts in accordance with their knowledge of the customer’s business and the expected activity on those accounts. **Line manager should ensure that he undertakes a semi annual review of all accounts average monthly turnover is PKR Rs.5,000,000 or more** . During the review, dealers should check that all transactions are in line with expected activity and that new information has been recorded. Attention should be paid to any new sources of income or unexpected use of the account. A file note confirming the date of the review should be placed on the customer’s file. Any change in Customers’ financials status must be updated.

MONITORING RECENTLY OPENED ACCOUNTS

Accounts that have been opened within the previous six months should be closely monitored:

- to establish a normal pattern of activity;
- to ensure that the activity is in line with the customer's expected profile on account opening form;
- to ensure that the verified identification information remains unchanged, e.g. no early notification of change of address or account signatories; and
- to ensure that there are no unexplained large transactions.

DORMANT/INACTIVE ACCOUNTS

In case where the operation of dormant/inactive account is activated after a lapse of more than six months, dealers must verify the authenticity of the account holder. All transactions will be executed subsequent to verification by Equity Settlement in writing. Dealers must ensure that the transaction in question is in line with the information provided previously.

RECORD KEEPING / DOCUMENT RETENTION

Records are to be retained to provide an audit trail and adequate evidence for the law enforcement agencies in their investigations. The minimum retention periods to comply with are:

- Account opening records and documentary evidence of identity - at least 5 years after the account is closed;
- Account ledger records - at least 5 years; and
- Individual transaction records - at least 5 years.

RETRIEVAL OF DOCUMENTS

Subject to the minimum retention periods specified, documents that are required under court order must be capable of being retrieved and produced **within seven calendar days** of the date when the order was served.

TRANSACTION MONITORING

The most important safeguard against money laundering is the ability to detect suspicious transactions and to take further action to prevent recurrence of such transactions.

RECOGNISING SUSPICIONS OF MONEY LAUNDERING

WHAT IS SUSPICION?

As the types of transactions that may be used by a money launderer are almost unlimited, it is difficult to define a suspicious transaction. Suspicion is personal and subjective and falls far short of proof based on firm evidence. However, the suspicion must at least have some foundation and not just be based on mere speculation.

A suspicious transaction will often be:

- any transaction where the amount, duration or other specific feature is inconsistent with the customer's professional or business activities, standard of living or normal movements on the account; and
- transaction that is not logical from an economic or financial point of view.

The key to recognizing suspicions is based on having enough knowledge about a customer's normal expected transactions and financial circumstances to be able to recognize the abnormal/unusual, and from the abnormal, what might be suspicious. For example, a customer who is unemployed or working in a junior position but is making frequent large cash deposits may be involved in money laundering frauds.

EXAMPLES OF SUSPICIOUS TRANSACTIONS

Examples of what might constitute a suspicious transaction, by activity, are listed below. These are by no means exhaustive and only provide examples of some of the most basic ways by which money can be laundered. This should not be applied as a routine instrument in place of Common Sense.

Identification of these types of transactions does not automatically establish suspicion, but should prompt enquiry and consideration of the circumstances. Due consideration should be given to the customer's explanation for such transactions but not every explanation can be accepted without scrutinizing the transaction.

It is justifiable to suspect a customer who is reluctant to provide necessary information and documents to establish relationship. Dealers should pay more attention to customers who provide minimal or misleading information when opening an account or provide information that is difficult or expensive for the Brokerage House to verify.

Transactions Which Do Not Make Economic Sense

- A customer relationship with KASB Securities Ltd that does not appear to make economic sense, e.g. a customer having a large number of accounts with KASB Securities Ltd, frequent transfers between different accounts or exaggeratedly high liquidity.
- Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal.
- Transactions that can not be reconciled with the usual activities of the customer.

Money Laundering Using Cash Transactions

Unusually large cash deposits made by an individual, or company.

Customers transferring large sums of money to or from overseas locations.

Substantial increase in cash deposits of any individual or business without apparent cause, especially if such deposits are subsequently transferred, within a short period.

Customers who constantly deposit cash to later requests for drafts, money transfers, or other negotiable and readily marketable money instruments.

Customers who deposit cash by means of numerous credit slips, so that although each individual deposit is small in nature, the total of all credits is significant.

REPORTING SUSPICIONS

All suspicions must be reported to the Compliance Head in accordance with the annexed forms. Once a report has been made, all personal legal obligations have been met. All reports submitted are treated in the strictest confidence. The customer is never informed and to do so would be a criminal offence.

REPORTING PROCEDURES FOR STAFF AND MANAGEMENT

It is important that the reason for the suspicion is explained fully. It is of critical importance that such suspicions must not be discussed with anyone outside the Brokerage House. Care must be taken in discussing a suspicion, even with other colleagues, and if this is considered not to be appropriate, then discussion must only be held with the Compliance Head.

It is vital that no mention of such suspicion is made to the customer. Any discussion of this nature would risk a tipping off offence being committed, if the customer became aware that a report had been submitted.

All staff must note that once the reporting process has commenced, it must be followed through and completed, even if the original suspicion might appear to have been resolved.

The Compliance Head will examine all reports and make additional enquiries as deemed appropriate. If also suspicious, the Compliance Head will subsequent to management review forward to the Regulator.

This procedure must be followed and repeated every time there is an unusual transaction, even if the Brokerage House has already notified Regulator of previous unusual transactions relating to that customer/account.

All reports will be retained by the Compliance Head for reference purposes whether or not the transaction is reported to Regulator.

COMPLETING THE ANNUAL ACKNOWLEDGEMENT FORM FOR THE PREVENTION OF MONEY LAUNDERING

Annually, all branch managers and dealers must complete the “Annual Acknowledgement Form for the Prevention of Money Laundering” and submit it to the Compliance Head. The purpose of the form is to certify that either they have not been suspicious, or that any suspicions have been reported to the Compliance Head and additionally confirming that they have read the Anti Money Laundering Handbook and fully understand their legal obligations and the requirements of the Brokerage House.

SPECIMEN FORMS

Suspicious Transaction Report Form

Annual Acknowledgement Form for the Prevention of Money Laundering

SUSPICIOUS TRANSACTION REPORT FORM

REPORTER:

Date: _____

Name: Tel:

Branch/Dept: Position:.....

CUSTOMER:

Name: Account No:

Address:
.....

Contact Name: Contact Tel:

Date Relationship started: Customer introducer:

INFORMATION/SUSPICION:

Information/Transaction:

Reason for Suspicion:
.....
...

Additional comments by Line Manager
.....
.....
.....
.....
.....

Name and Signature of the LM: Date.....

Note: it is an offence to advise the customer/client or anyone else of your suspicion or report.

For Compliance Use:

Date received..... Time Received Ref.....

ANNUAL ACKNOWLEDGEMENT FORM FOR THE PREVENTION OF MONEY LAUNDERING

Memorandum

To :
From : **Compliance Head**
Date :

SUBJECT: Annual Acknowledgement Form – Prevention of Money Laundering

As an on-going means of control, you are reminded of the need to be alert to Money Laundering activities. In this respect, we require you to sign to the effect that you have read the Prevention of Money Laundering Handbook for Management and Staff and that you are aware of your responsibilities under the relevant Laws and Regulations on Money Laundering.

You also confirm that if there are any suspicious circumstances surrounding the opening and operation of an account which comes to your knowledge, the matter will be reported to the Compliance Head immediately in accordance as required in the Prevention of Money Laundering Handbook.

In case if you have any question, please speak to undersigned.

Please sign and return the copy of this memorandum.

Many thanks

Kamran Ansari
Head-Risk & Compliance

Confirmed:(Name)
.....(Position)
.....(Signature)
.....(Address of Location)
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