

# Anti-Money Laundering and Countering Financing of Terrorism (CFT) Policy

Key Pillars



**Fairtrade Capital Securities (Pvt.) Limited**

Compliance Department

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1. Introduction

- 1.1 Fairtrade Capital Securities (Pvt.) Limited has formulated an Anti-Money Laundering & Countering Financing of Terrorism (CFT) Policy, referred here as “AML/CFT Policy”, based on the criteria/ guidelines specified by SECP.
- 1.2 The AML/CFT Policy has been approved by the Board of Fairtrade Capital Securities (Pvt.) Limited in the meeting held on Nov 14, 2018. In the said meeting, the Board has authorized the CEO to approve any subsequent amendments or modifications associated with this policy as required by SECP.
- 1.3 This policy defines different types of customers, their minimum required information & documents along with the characteristics of High Risk Customers, who pose greater than average risk of money laundering activities. It further explains how to ensure the identity of the clients, who initiates relationship with Fairtrade Capital Securities (Pvt.) Limited and how to maintain and update the CDD/ KYC measures for existing customers.
- 1.4 For better services to our customers, Fairtrade Capital Securities (Pvt.) Limited has also developed and put in place a “KYC Form” which classifies the categories of CDD/ KYC for both Individual and Institutional clients. Fairtrade Capital Securities (Pvt.) Limited Sales Team/ sales agent/ channel partners are required to ensure that the customer’s information (including Joint Account holders) shall be submitted to the Operations Department/Accounts Maintenance Department by duly submitting a KYC Form as we consider the basic step in Anti-Money laundering policy is proper KYC.
- 1.5 The KYC Form is attached as Appendix I and shall be considered as integral part of AML/CFT Policy.

2. **Scope**

- 2.1 The scope of AML/CFT Policy is to establish reasonable measures to know about the customers of Fairtrade Capital Securities (Pvt.) Limited, whether individual or institutional, in accordance with the stated guidelines of SECP in respect of controlling and countering Money Laundering and terror financing activities.

- 2.2 The scope of the policy is concerned with the staff of Fairtrade Capital Securities (Pvt.) Limited and its branches/liaison offices. For this purpose, training with respect to CDD/KYC to the concerned staff of Fairtrade Capital Securities (Pvt.) Limited shall be carried out on regular basis.
- 2.3 The KYC Forms have been developed keeping in view the latest requirement of SECP in respect of AML/CFT Policy for the clients of Fairtrade Capital Securities (Pvt.) limited.

### 3. Customer Identification

#### Type of Customers, Information & Documents Required

3.1 Fairtrade Capital Securities (Pvt.) Limited shall obtain the minimum information/ set of documents from various types of customers, detail of which are as follows;

S. #	Type of Customers	Information Required	Documents Required
1	Individuals / Sole proprietorship	<input type="checkbox"/> Name and Father's Name <input type="checkbox"/> Address <input type="checkbox"/> Telephone Number(s) <input type="checkbox"/> Sources of Income  <input type="checkbox"/> Nationality & NTN <input type="checkbox"/> Guardian name (if Applicable)	<input type="checkbox"/> Copy of CNIC or passport or attested copy of B form in case of Minor <input type="checkbox"/> Detail of Business / Employment Proof <input type="checkbox"/> Zakat Exemption Certificate (If Applicable) <input type="checkbox"/> Guardian Certificate (If Applicable) <input type="checkbox"/> CNIC of the Guardian (in case of a minor)
2	Partnership based entity	<input type="checkbox"/> Name of Partnership Entity <input type="checkbox"/> Names of Partners <input type="checkbox"/> Father's Name of Partners <input type="checkbox"/> Address of Partnership entity <input type="checkbox"/> Telephone Number(s)	<input type="checkbox"/> Copy of CNIC/ passport of all Partners <input type="checkbox"/> Copy of CNIC of authorized signatories <input type="checkbox"/> List of Authorized signatories along with power of attorney <input type="checkbox"/> Resolution authorizing investments <input type="checkbox"/> Partnership Deed - Mark registered or un-registered partnership deed <input type="checkbox"/> Copy of latest financials of partnership
3	Companies (Institutional and Corporate)	<input type="checkbox"/> Name of Company and its Directors <input type="checkbox"/> Registered Address <input type="checkbox"/> Telephone number (s) <input type="checkbox"/> Contact persons <input type="checkbox"/> Registered number & NTN	<input type="checkbox"/> Copy of CNIC/ passport of all Directors <input type="checkbox"/> Audited Accounts of the company <input type="checkbox"/> Memorandum and Article of Association <input type="checkbox"/> Board Resolution authorizing investments <input type="checkbox"/> Certificate of Incorporation/ Commencement of Business <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney
4	Clubs, Societies and Associations	<input type="checkbox"/> Name of Club, Society or Association <input type="checkbox"/> Registered address of Club, Society or Association <input type="checkbox"/> Telephone numbers(s) <input type="checkbox"/> Contact Persons	<input type="checkbox"/> Board / Governing Body Resolution for investment <input type="checkbox"/> Certified copy of by-laws/ rules and regulations <input type="checkbox"/> Copy of CNIC of Board's members <input type="checkbox"/> Certified copy of certificate of Registration <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney <input type="checkbox"/> Copy of latest financials

5	Trusts including, but not limited to, Provident Fund, Gratuity Fund, Pension Fund, mutual fund, etc.)	<input type="checkbox"/> Name of trust, Fund etc <input type="checkbox"/> Name of Trustee <input type="checkbox"/> Address of Trust/ Fund etc. <input type="checkbox"/> Telephone number(s) <input type="checkbox"/> Contact persons	<input type="checkbox"/> Copy of CNIC of all Trustees <input type="checkbox"/> Certified copy of Trust Deed <input type="checkbox"/> Trustee / Governing body Resolution for investment <input type="checkbox"/> Copy of the latest financials of the Trust <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney <input type="checkbox"/> Trust Deed
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3.2 The account opening department (AMD) is instructed to open the account of only those clients who either appeared in person at the time of opening of the account or they are verified

6	Executors and Administrators	<input type="checkbox"/> Name of Entity for Executor/ Admin. is appointed <input type="checkbox"/> Name of Executor/ Administrator <input type="checkbox"/> Address of entity & Telephone Numbers	<input type="checkbox"/> Copy of CNIC of Executor/Administrator <input type="checkbox"/> Certified copy of the letter of Administration.
7	Government Entities	<input type="checkbox"/> Name of Government owned organization <input type="checkbox"/> Address of Government owned organization <input type="checkbox"/> Telephone numbers <input type="checkbox"/> Contact persons	<input type="checkbox"/> A Special Resolution/ authority endorsed by the Ministry of Finance or Finance Department from concerned Government (Federal/ Provincial/ Local) clearly listing the persons/ officers authorize to operate such account <input type="checkbox"/> List of Authorized Signatories <input type="checkbox"/> Copy of CNIC of authorized officer(s) <input type="checkbox"/> Resolution authorizing investment

through visiting their residence. If any client cannot appear in person due to some limitations, then it is instructed that a third party verification of that person should be carried out by the department in order to confirm the originality of the prospect client. This section will apply for all foreign and local clients. All these procedures must also be applied for the verification of authorized persons in case of Corporate and other institutional clients;

3.3 It is notable that all the foreign clients should be screened in the lights of guidelines and recommendations by the Financial Action Task Force (FATF);

3.4 Before opening an account, Fairtrade Capital Securities (Pvt.) Limited shall verify the copy of CNIC from NADRA or with the help of any other third party software or various online services available in this regard. The cost of verification of CNIC from NADRA shall not be passed on to the existing or prospective account holder of Fairtrade Capital Securities (Pvt.) Limited;

3.5 For this purpose, Fairtrade Capital Securities (Pvt.) Limited shall obtain attested copy of CNIC; and

3.6 If the customer is trading on behalf of any other person then the Identity of that person must be ensured and a Power of Attorney must be taken from the customer regarding trading of that person on his behalf. That authorized person must also be verified physically through the process as applied on the customer's verification.

#### 4. Risk Assessment of Customer

4.1 Fairtrade Capital Securities (Pvt.) Limited has structured few principles for the effective assessment of each and every customer which are as follows;

4.1.1 Each client should be assessed and marked a level of risk i.e. High, Medium or Low Risk Category;

4.1.2 These levels are marked on the basis of their source of income & funds, their social status, their location or domicile and customer's identity;

4.1.3 Some categories of customers, as instructed by the SECP, should always be marked in High Risk Category. These customers includes:

- Non-resident (if their trading does not exceed up to certain bench mark as mentioned in the Annexure-1 attached.
- NGOs
- Customers from the countries where FATF and AML regulations are lax of
- if funds originates or go to these countries
- Customers with business which involves high risk of money laundering for example PEPS;
- Customers with links to offshore tax heavens;
- High net worth clients with no clearly identifiable source of income;
- HNWI Bench mark is defined in the Annexure-1 Attached.
- Customers who ever refused for brokerage services by the other brokers;
- Non face to face customers (if third party verification not possible).
- Customers which have income sources or connections with the countries
- which are not applying FATF recommendations properly
- Politically exposed persons (PEPs)

4.1.4 Anti-Money Laundering policies of the company should applied for each and every customer in order to establish a transparent source of the income of the customer and also in order to avoid any risk of terror financing.

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## **5. Enhanced, On-Going and Simplified Due Diligence for effective AML/CFT Policy**

### **5.1 Enhanced Due Diligence**

There could be some circumstances where an enhanced due diligence of the customer is required by the Fairtrade Capital Securities (Pvt.) Limited before opening the trading account. Policies for such circumstances are;

- 5.1.1 Once a customer is marked as High Risk, it is necessary for the department to have Enhanced Due Diligence;
- 5.1.2 Such customers should be under vigilance and any unusual transaction should be reported in a Suspicious Transaction Report (STR) to Financial Monitoring Unit (FMU);
- 5.1.3 In case of High Risk Clients including Politically Exposed Person the account opening should be approved by the one of the Directors or Higher Management Personnel of the brokerage house;
- 5.1.4 Once a customer who was classified as Medium or Low Risk earlier, and then falls in High Risk Category afterwards due to any reason, then all the procedures which requires for the High Risk Clients should be applied in order to form a transparent procedure for the transactions of this person and an enhanced due diligence should be applied on that customer.
- 5.1.5 Special care must be taken if the funds received from client is in foreign currency and department must check that all proper and legally applied procedures are adopted while received these funds.

### **5.2 On-Going Due Diligence**

- 5.2.1 CDD is not a one-time process. Department should ensure 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 department's knowledge of the customer, its business, risk profile, historical pattern of transactions and source of funding.
- 5.2.2 The department should also ensure that the customer's records are updated at regular intervals of the time and sufficient information is obtained regarding any significant change in the customer's profile.



### 5.3 **Simplified Due Diligence**

5.3.1 The department shall apply simplified or reduced CDD measures in the following circumstances:

- Risk of money laundering or terror financing is lower keeping in view of SECP regulations;
- Information on the identity of the customer and beneficial owner of the customer is publically available;
- Adequate checks and controls are in place ;

5.3.2 Following customers may be considered for the simplified CDD:

- Financial institutions which have proper money laundering controls in place and have acting upon FATF recommendations
- Public companies that are subject to regulatory disclosure requirements
- Government administration or enterprises

5.3.3 When opting for simplified CDD, the FATF guidelines in this regard must be considered. Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

## 6. **Compliance Function**

- 6.1 Fairtrade Capital Securities (Pvt.) Limited has a compliance function with suitable human resources and MIS reporting capabilities, enabling it to effectively monitor the client's transactions and make timely reports.
- 6.2 The head of compliance function must have skills and experience necessary for satisfactory performance of functions assigned. Head of Compliance must be independent and report directly to the Board of Directors.
- 6.3 The Compliance function shall ensure compliance with requirements of this policy as well as other regulatory requirements applicable on the company under the relevant legal framework. A record should be maintained for non-compliances and reported to BOD and all such records must be available to regulatory bodies for the purpose of inspection at any time.

## 7. **Data Retention**

- 7.1 Fairtrade Capital Securities (Pvt.) Limited shall maintain the relevant documents obtained through the application of CDD / KYC procedures, especially those pertaining to identification of the customer, account files and correspondence exchanged for minimum period of (05) five years.
- 7.2 Operation Department/Accounts Maintenance Department will provide the list of discrepant/ incomplete documents to Compliance Department within thirty days after every year and Compliance Department shall provide discrepant/ incomplete information to Operations Department for record maintenance and updation;
- 7.3 Human Resource Department in coordination with Compliance Department shall carry out regular training to the Fairtrade Capital Securities (Pvt.) Limited Sales Team on the updation of clients information and records; and
- 7.4 Maintain proper records of customer identifications and clearly indicate in writing any exception in fulfilling AML/CFT Policy measures. These exceptions will be referred to the CEO to decide future course of action.

## 8. Training & Screening

- 8.1 Fairtrade Capital Securities (Pvt.) Limited shall develop an on-going employee training program to ensure that the employees understand their duties and are able to perform the same on the satisfactory level.
- 8.2 Fairtrade Capital Securities (Pvt.) Limited shall develop and implement screening procedures to ensure high standards while hiring staff. However, the screening process must be an on-going exercise and must be applied consistently to ensure that employees, particularly those working on sensitive positions, meet and maintain high standards of integrity and professionalism.

## 9. Principles of Effective AML/CFT Policy

Fairtrade Capital Securities (Pvt.) Limited has structured few principles for the effective implementation of AML/CFT Policy. These principles shall be applicable to all the existing and new customers, details of which are as follows;

- 9.1 Payment in cash more than Rupees 25,000 or bearer instruments shall be strictly prohibited;
- 9.2 Third party cheques shall be strictly prohibited;
- 9.3 If payment in cash more than Rupees 25,000 is received in cash due to any unavoidable reason, then the department will report this receipt to Stock Exchange on appropriate format;
- 9.4 Any account which has zero balance or no trading activity for a period of more than one year will be considered as "Dormant Account" and only after necessary CDD/ KYC verifications, the Customer is allowed to operate its trading account in Fairtrade Capital Securities (Pvt.) Limited;
- 9.5 Government account shall not be opened in the personal names of the Government Official(s);
- 9.6 Operation Department/Accounts Maintenance Department will provide the list of discrepant/ incomplete documents in coordination with Sales Team/Traders to Compliance Department within thirty days after every year, who shall obtain all required information/documents from existing customers;

- 9.7 AML/CFT Policy measures shall be enhanced for High Risk Customers. Characteristics of High Risk Customers are given in Section 7 of this policy;
- 9.8 Dealing with any Political Exposed Person or customers holding public or high profile position, relationship with them should be established and/ or maintained with the approval of Senior Management of Fairtrade Capital Securities (Pvt.) Limited including if any existing customer becomes holder of any public office or high profile position;
- 9.9 For customers that are legal persons or for legal arrangements, Fairtrade Capital Securities (Pvt.) Limited is required to take reasonable measures to understand (i) the ownership and control structure of the company (ii) determine that who own or control the company. This includes those persons who exercise ultimate effective control over a company;
- 9.10 In case Fairtrade Capital Securities (Pvt.) Limited is not able to satisfactorily complete the required CDD/ KYC measures, account should not be opened, business relationship should not be established and business transaction should not be carried out. Instead reporting of suspicious transaction is considered. Similarly, relationship with existing customer should be terminated and reporting of suspicious transactions be considered if CDD/ KYC is found unsatisfactory;
- 9.11 Any exception (including suspicious transaction) identified in fulfilling the criteria/guidelines laid down in this policy shall be clearly indicated in writing and referred to the Chief Executive Officer (CEO) in order to decide future course of action; and
- 9.12 A copy of any exception (including suspicious transaction) reporting to CEO shall also be submitted to Internal Audit & Compliance Department.

## 10. **Annexures**

Annexures to the policy are:

- Basics and Need for AML/CFT Policy
  - AML / CFT Policy;
  - Annexure-A - KYC / CDD Checklist & KYC Forms
  - FATF Recommendations
  - Annexures of AML/CFT Assessment Tables on Company.
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