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Subject to rules and regulations of Pakistan Stock Exchange Limited

CREATIVE CAPITAL SECURITIES (PVT.) LIMITED

TREC CERTIFICATE: Pakistan Stock Exchange Limited.

Member Ship No. K153, Broker Reg. No. 098

CDC Participant ID-06858

Web Site: www.creativecapital.com.pk



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

Approved by the Board of Directors on November 23, 2018

A. GENERAL PRINCIPLES:

1. DEFINITION OF MONEY LAUNDERING AND TERRORIST FINANCING:

Money Laundering ("ML") and Terrorist Financing ("TF") are economic crimes that threaten a country's overall financial sector reputation and expose financial institutions to significant operational, regulatory, legal and reputational risks, if used for ML and TF.

2. PURPOSE AND SCOPE OF AML AND CFT REGIME:

2.1. An effective Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") regime requires financial institutions to adopt and effectively implement appropriate ML and TF control processes and procedures, not only as a principle of good governance but also as an essential tool to avoid involvement in ML and TF. AML and CFT Regime is governed under Anti-Money Laundering Act, 2010 ("AML Act"), Anti-Money Laundering Rules, 2008 ("AML Rules") made under the Anti-Money Laundering Ordinance, 2007 ("AML Ordinance"), Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("SECP AML/CFT Regulations") made under the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act"), upon recommendation of Financial Monitoring Unit ("FMU") established under AML Act and Guidelines on SECP AML/CFT Regulations issued by SECP in September 2018.

3. GUIDELINES ON SECP AML/CFT REGULATIONS:

3.1. The Guidelines are applicable to all Regulated Persons ("RPs") including Securities Brokers as defined under the SECP AML/CFT Regulations conducting relevant financial business and designed to assist RPs in complying with the Regulations. It supplements the Regulations and the AML/CFT regime by clarifying and explaining the general requirements of the legislation to help RPs in applying national AML/CFT measures, developing an effective AML/CFT risk assessment and compliance framework suitable to their business, and in particular, in detecting and reporting suspicious activities. The Guidelines are based on Pakistan AML/CFT legislation and reflect, so far as applicable, the 40 Recommendations and guidance papers issued by the Financial Action Task Force ("FATF").

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4. POLICY, PROCEDURES AND CONTROLS:

- 4.1. As required under clause 4 (a) of the SECP AML/CFT Regulations, **M/s Creative Capital Securities (Pvt) Limited (CCSL)** is required to:
- 4.2. develop and implement policies, procedures and controls with the approval its Board of Directors for enabling **M/s Creative Capital Securities (Pvt) Limited** to effectively manage and mitigate the risk that are identified in the risk assessment of ML/TF or notified to it by the Commission;
- 4.3. monitor the implementation of those policies, procedures and controls and enhance them if necessary;
- 4.4. perform enhanced measures where higher risks are identified, to effectively manage and mitigate those higher risks; and
- 4.5. have an independent audit function to test the system.
- 4.6. The Policies, Procedures and Controls should contain a clear description for employees of their obligations and instructions as well as guidance on how to keep the activity of the reporting entity in compliance with the Regulations. There should be internal procedures for detecting, monitoring and reporting suspicious transactions.

5. APPOINTMENT OF COMPLIANCE OFFICER AND HIS ROLE:

- 5.1. The **M/s Creative Capital Securities (Pvt) Limited** is required to appoint a management level officer as compliance officer ("**CO**"), who shall report directly, and periodically to the Board of Directors ("**Board**") or to another equivalent executive position or committee. The CO must be a person who is fit and proper to assume the role and who:
- 5.2. has sufficient skills and experience to develop and maintain systems and controls (including documented policies and procedures);
- 5.3. has sufficient resources, including time and support staff;
- 5.4. has access to all information necessary to perform the AML/CFT compliance function;
- 5.5. ensure regular audit of the AML/CFT program;
- 5.6. maintain various logs, as necessary, which should include logs with respect to declined business, politically exposed person ("**PEPs**"), and request from Commission, FMU and Law Enforcement Agencies ("**LEAs**") particularly in relation to investigation ; and
- 5.7. respond promptly to requests for information by the SECP/LEAs.

6. HOW TO COMMUNICATE THE POLICIES AND PROCEDURES TO EMPLOYEES AND STAFF AS WELL AS BRANCHES:

- 6.1. As part of first line of defense, the CO shall clearly specify the Policies, Procedures and Controls duly approved by the Board in writing, and communicated to all employees including those employed at braches through Inter-Office Memo ("**IOM**").
- 6.2. The CO must have the authority and ability to oversee the effectiveness of **M/s Creative Capital Securities (Pvt) Limited** AML/CFT systems, compliance with applicable AML/CFT legislation and

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provide guidance in day-to-day operations of the AML/CFT Policies and Procedures especially at the branches.

7. HOW TO REFLECT CHANGES TO AML/ATF LEGISLATIVE AND REGULATORY REQUIREMENTS:

- 7.1. The CO shall update/amend the Policies, Procedures and Controls in line with the changes/amendments in SECP AM/CFT Regulations with the approval of the Board or Equivalent and communicate in writing to all relevant employees through IOM; and
- 7.2. The CO shall provide amendments in the Policies, Procedures and Controls separately attached to amendment Policies, Procedure and Controls showing impact of such changes on AML/CFT Regime.

8. HOW OFTEN TO UPDATE POLICIES, PROCEDURES AND CONTROLS:

- 8.1. As and when any change/amendment is affected in AML/CFT legislation applicable to the Securities Brokers, the CO shall immediately update the Policies, Procedures and Controls in line with the changes/amendment in legislatives.
- 8.2. The CO will communicate in writing to all employees after getting Board's approval on such changes.
- 8.3. The CO will update the risk profile of the country to which the **M/s Creative Capital Securities (Pvt) Limited** or its Customers are exposed to as and when it comes to his knowledge.

9. HOW OFTEN TO CONDUCT AN INDEPENDENT AUDIT OF YOUR AML/ATF COMPLIANCE PROGRAM:

- 9.1. **M/s Creative Capital Securities (Pvt) Limited** shall, on a regular basis, conduct an AML/CFT audit to independently evaluate the effectiveness of compliance with AML/CFT Policies and Procedures;
- 9.2. The frequency of the audit shall at least be quarterly basis commensurate with the nature, size, complexity, and risks identified during the risk assessments by the **M/s Creative Capital Securities (Pvt) Limited**
- 9.3. The AML/CFT audits shall be conducted to assess the AML/CFT systems which include:
 - 9.4. to test the overall integrity and effectiveness of the AML/CFT systems and controls;
 - 9.5. to assess the adequacy of internal policies and procedures in addressing identified risks, including;
 - 9.5.1. CDD measures;
 - 9.5.2. Record keeping and retention;
 - 9.5.3. Third party reliance; and
 - 9.5.4. Transaction monitoring.
 - 9.6. to assess compliance with the relevant laws and regulations;
 - 9.7. to test transactions in all areas of the **M/s Creative Capital Securities (Pvt) Limited**, with emphasis on high-risk areas, products and services;
 - 9.8. to assess employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;

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- 9.10. to assess the effectiveness of compliance oversight and quality control including parameters for automatic alerts (if any); and
- 9.11. To assess the adequacy of M/s Creative Capital Securities (Pvt) Limited's process of identifying suspicious activity including screening sanctions lists.

10. POLICIES, PROCEDURES AND CONTROLS:

11. THREE LINES OF DEFENSE:

M/s Creative Capital Securities (Pvt) Limited shall establish the following three (3) lines of Defense to combat ML/TF:

11.1. Front Office (Customer-Facing Activity):

- 11.1.1. Front Office / Dealers/Sale Persons shall be required to know and carry-out the AML/CFT due diligence related policies and procedures when a customer opens an account with the M/s Creative Capital Securities (Pvt) Limited which include the following:
- 11.1.2. Account Opening Forms should be completed in the presence of the Customer with mandatory fill-in mandatory fields and all not relevant spaces shall be marked as "Not Applicable or Crossed";
- 11.1.3. KYC forms shall be completed in the presence of the Customer;
- 11.1.4. All attachments needed as per Standard Account Opening Forms of CDC and PSX shall be completed;
- 11.1.5. Account Opening amount shall be accepted in cheque /pay-order/demand draft on the bank of beneficial owner of the customer.
- 11.1.6. Account Opening confirmation along with all details entered into M/s Creative Capital Securities (Pvt) Limited's back-office, CDC and NCCPL shall be communicated to the Customer on his/her registered address/email or handed over to the Customer if physically available.

11.2. Compliance Checks:

- 11.2.1. The Compliance Officer shall check the account opening forms along with all annexure before allowing the Customer to start Business Relation with M/s Creative Capital Securities (Pvt) Limited;
- 11.2.2. If there is any discrepancy in the Account Opening process, the Compliance Officer shall communicate the same to Front Office/Dealer/Sale Person for rectification before start of Business Relation with the M/s Creative Capital Securities (Pvt) Limited;
- 11.2.3. The Compliance Officer shall do the Risk Assessment of the Customer as per AML/CFT Risk Assessment Matrix annexed to SECP Guideline on AML/CFT Regulations; and
- 11.2.4. The Compliance Officer shall do the Risk Profiling of the Customer based on Risk Assessment of the Customer.

11.3. Internal Audit Process:

- 11.3.1. Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis;

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11.3.2. In case of discrepancies/non-compliances observed during audit process, he/she will communicate his/her findings and along with recommendations to the Senior Management including Compliance Officer;

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

12. IDENTIFICATION OF CUSTOMERS, ASSESSMENT AND UNDERSTANDING OF RISK:

12.1. The **M/s Creative Capital Securities (Pvt) Limited** shall understand, identify and assess the inherent ML/TF risks posed by its:

12.1.1. customer base;

12.1.2. products and services offered;

12.1.3. delivery channels;

12.1.4. the jurisdictions within which it or its Customers do business; and

12.1.5. Another relevant risk category.

12.2. **M/s Creative Capital Securities (Pvt) Limited** will measure MT/TF risks using a number of risk categories while applying various factors to assess the extent of risk for each category for determining the overall risk classification, such as

12.2.1. High

12.2.2. Medium

12.2.3. Low

12.3. **M/s Creative Capital Securities (Pvt) Limited** may follow the Probability and Likelihood Risk Rating Matrix as defined in the SECP Guideline for AML/CFT Regulations; however, it will make their own determination as to the risk weights to individual risk factors or combination of risk factor taking into consideration the relevance for different risk factors in the context of a particular Customer relationship.

12.4. **M/s Creative Capital Securities (Pvt) Limited** shall assess and analyze as a combination of the likelihood that the risk will occur and the impact of cost or damages if the risk occur. The impact of cost or damage may consist of:

12.4.1. financial loss to the **M/s Creative Capital Securities (Pvt) Limited** from the crime;

12.4.2. monetary penalty from regulatory authorities; and

12.4.3. Reputational damages to the business or the entity itself.

12.5. **M/s Creative Capital Securities (Pvt) Limited** shall analyze and identify the likelihood that these types or categories of risk will be misused for ML and/or for TF purposes. This likelihood is for instance;

12.5.1. High if it can occur several times per year;

12.5.2. Medium if it can occur once per year; and

12.5.3. Low if it is unlikely, but not possible.

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- 12.6. **M/s Creative Capital Securities (Pvt) Limited** should update its risk assessment every 12 to 18 months taking into account:
- 12.6.1. new products are offered;
 - 12.6.2. new markets are entered;
 - 12.6.3. high risk Customers open or close their account; or
 - 12.6.4. the products, services, policies and procedures are changed.
- 12.7. **M/s Creative Capital Securities (Pvt) Limited** shall have appropriate mechanism to provide risk assessment information to the Commission if required.
- 12.8. **High-Risk Classification Factors:**
- 12.8.1. The **M/s Creative Capital Securities (Pvt) Limited** shall describe all types or categories of Customers that it provide business to and make an estimate of the likelihood that these types or category of Customers may misuse the **M/s Creative Capital Securities (Pvt) Limited** for ML or TF, and the consequent impact if indeed occurs. Risk Factor that may be relevant when considering the risk associated with a Customer or a Customer's beneficial owner's business include:
 - 12.8.2. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between **M/s Creative Capital Securities (Pvt) Limited** and the Customer);
 - 12.8.3. Non-resident Customers;
 - 12.8.4. Legal persons or arrangements;
 - 12.8.5. Companies that have nominee shareholders;
 - 12.8.6. Business that is cash-intensive;
 - 12.8.7. The ownership structure of the Customer appears unusual or excessively complex given the nature of the Customer's business such as having many layers of shares registered in the name of other legal persons;
 - 12.8.8. Politically Exposed Persons;
 - 12.8.9. Shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
 - 12.8.10. Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets; and
 - 12.8.11. Requested/Applied quantum of business does not match with the profile/particulars of client.

12.9. **Country or Geographic Risk Factor:**

- 12.9.1. Due to location of a Customer, the origin of a destination of transactions of the Customer, ~~business activities of the M/s Creative Capital Securities (Pvt) limited itself, its location and~~

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