
**ANTI-MONEY LAUNDERING (AML) POLICY / COMBATING FINANCING
OF TERRORISM (CFT)**

Document review and approval

Revision history

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4		
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CONTENTS

- 1) Glossary
- 2) About Intermarket Securities Limited
- 3) Goals and Objectives
- 4) Scope
- 5) Regulatory Oversight & Compliance Risk
- 6) Customer Due Diligence and Know your Customer
- 7) Procedures for Documentation & Verification of High Risk Customers
 - (a) Documentation
 - (b) Documentation for investors who can't sign or have unsuitable signatures
 - (c) Sending Account Statement
 - (d) Steps for Enhanced Due Diligence
- 8) Monitoring and Reporting of Suspicious Transactions
 - (a) Suspicious Transaction
 - (b) Potential indicators of money laundering or terrorist financing
 - (c) Reporting of Suspicious Transaction
 - (d) Training
 - (e) Non Compliance
- 9) Accountability and Responsibility
- 10) Record Retention
- 11) Internal Audit
- 12) Annexure
 - (a) Snapshot of PSX updates received via email
 - (b) Know your Customer/Due Diligence form for Individual Investors

1. GLOSSARY

AOF	Account Opening Form
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
CIF	Customer Information File
CNIC	Computerized National Identity Card
CTR	Cash Transaction Report
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FMU	Financial Monitoring Unit
NADRA	National Database and Registration Authority
NICOP	National Identity Card for Overseas Pakistanis
OFAC	Office of the Foreign Assets Control
PEP	Politically Exposed Persons
POC	Pakistan Origin Card
RMA	Relationship Management Application
SBP	State Bank of Pakistan
SDD	Simple Due Diligence
SNIC	Smart National Identity Card
STR	Suspicious Transaction Report
UN	United Nations
UNSC	United Nations Security Council
CFT	Counter Financing of Terrorism
TF	Terrorist Financing
CCO	Chief Compliance Officer
RO	Money Laundering Reporting Officer
ML	Money Laundering
PEPs	Politically Exposed Person
BOD	Board of Directors
OFAC	Office of Foreign Assets Control
MSB	Money Service Business
CDD	Customer Due Diligence
IMS	Intermarket Securities Limited
SECP	Securities and Exchange Commission of Pakistan
PSX	Pakistan Stock Exchange
EDD	Enhanced Due Diligence

2. ABOUT INTERMARKET SECURITIES LIMITED

“Intermarket Securities Limited (IMS), the flagship of the Intermarket Group, came into its current corporate structure post the acquisition of ING Barings Pakistan operations in the early 2000s. IMS is a full-service brokerage platform offering trade execution/settlement, investment banking & advisory as well as equities & economic research. IMS has one of the most accredited equity market teams in Pakistan providing best in class services to clients. Team members in equity research and investment banking have been individually and jointly recognized by Asia Money and CFA Society Pakistan while our Sales Desk has extensive experience in servicing both domestic and international institutional investors with relationships across global financial centers. IMS is committed to the highest standards of AML and CFT. The members of the Management Board and all employees are required to adhere to these standards to protect IMS and its reputation from being misused for money laundering and/or terrorist financing or other illegal purposes.”

The Islamic Republic state of Pakistan is a member country of Financial Action Task Force (FATF) and has enacted laws and rules design to implement the anti-money laundering policies of (FATF). The goal of these laws is to detect and prevent money laundering and potential terrorist financing.

IMS will adhere to all applicable laws and regulation in all countries where it conducts business or has business relationships to, but in case of any adherence local laws will always prevail.

IMS will examine its AML and CFT strategies, goals and objectives on an ongoing basis and for all these topics IMS has implemented clear rules and regulations which must be complied with all IMS staff.

3. GOALS & OBJECTIVES

The objective of this policy is to ensure that the products and services of the Intermarket Securities Limited (IMS) are not used to launder the proceeds of crime and that all of the IMS's staff are aware of their obligations and the need to remain vigilant in the fight against money laundering/terrorist financing. The document also provides a framework to comply with applicable laws, Regulatory guidelines specially related with detection and reporting of suspicious activities.

Other objectives pursued by this policy are as follows:

- Promote a “Know Your Customer” policy as a cornerstone principle for the Brokerage firm’s ethics and practices;
- Introduce a controlled environment where no business with a Customer is transacted until all essential information concerning the Customer has been obtained;
- Conduct self-assessments of compliance with AML policy and procedures;
- Introducing to the employees the stages of money laundering process and their individual duties;
- Establishing a review process which will be used to identify opportunities that might be used to launder money;
- Providing instructions regarding taking appropriate action once a suspicious activity or a money laundering activity is detected or suspected.

Adherence to this policy is absolutely fundamental for ensuring that the IMS is fully complies with applicable anti-money laundering rules and regulations.

The IMS is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective AML Policy for its business.

In case of any clarification contact Compliance Department of IMS at compliance@imsecurities.com.pk

4. SCOPE

This policy is applicable to the IMS's local as well as overseas operations (if any) including business of other Financial Institutions routed through IMS.

In overseas offices (if any), IMS shall ensure compliance with the Regulations of the host country on KYC, CDD AML/CFT or that of the SECP whichever are more exhaustive.

Our coverage will include:

- Compliance of AML Act 2010.
- Compliance of SECP requirements on KYC, CDD AML/CFT.
- Compliance of local country legislations/ regulations on KYC, CDD AML/CFT & subsequent updates.
- FATF Recommendations
- International Standards and guidelines, including Regulatory sanctions as applicable.

5. REGULATORY OVERSIGHT & COMPLIANCE RISK

In the case of the brokerage industry, SECP being its Apex regulator and the PSX being the frontline regulator of the brokerage industry in Karachi, have formulated detailed set of guidelines for brokers to help them in developing KYC and CDD policies & procedures and implementing the same.

IMS is bound to use SECP, PSX guidelines and International Regulatory guidelines/standards as applicable to formulate its own KYC, CDD AML/CFT Policy. The consequence of contravening the Regulations or failing to comply can be significant and include disciplinary measures, imprisonment or fine or both under local laws as well as the loss of reputation for IMS.

Notwithstanding the statutory and regulatory penalties, increased vigilance by Management and staff will protect IMS from the following risks:

- Reputational
- Operational
- Legal
- Financial

Reputational risk: The reputation of a business is usually at the core of its success. The ability to attract good employees, customers and business is dependent on reputation. Even if a business is otherwise doing all the right things, if customers are permitted to undertake illegal transactions through that business, its reputation could be irreparably damaged. A strong KYC, CDD AML/CFT policy helps to prevent a business from being used as a vehicle for illegal activities.

Operational risk: This is the risk of direct or indirect loss from faulty or failed internal processes, management and systems. In today's competitive environment, operational excellence is critical for competitive advantage. If KYC, CDD AML/CFT policy is faulty or poorly implemented, then operational resources are wasted, there is an increased chance of being used by criminals for illegal purposes, time and money is then spent on legal and investigative actions and the business can be viewed as operationally unsound.

Legal risk: If a business is used as a vehicle for illegal activity by customers, it faces the risk of fines, penalties, injunctions and even forced discontinuance of operations.

Financial risk: If a business does not adequately identify and verify customers, it may run the risk of unwittingly allowing a customer to pose as someone they are not. The consequences of this may be far reaching. If a business does not know the true identity of its customers, it will also be difficult to retrieve money that the customer owes.

6. CUSTOMER DUE DILIGENCE & KNOW YOUR CUSTOMER

CDD is closely associated with the fight against money-laundering. Supervisors around the world are increasingly recognizing the importance of ensuring that their financial institutions have adequate controls and procedures in place so that they know the customers with whom they are dealing. Adequate due diligence on new and existing customers is a key part of these controls. Without this due diligence, financial institutions can be exposed to reputational, operational, legal and financial risks.

It is a Policy of IMS that:

- Prior to establishing a relationship with a new customer, basic background information about the customer should be obtained, in particular, information related with customer's business and source/utilization of funds.
- Prior to establishing relationships with financial institutions or agents, appropriate steps must be taken to confirm the identity, integrity and due diligence procedures of those representatives or agents and, where necessary, the identities of underlying clients.

- The underlying beneficial ownership of all companies and other legal entities with whom IMS conduct business must be established, including the beneficial ownership of all funds or other properties that are handled by the IMS.
- All new relationships should be filtered through automated solution for possible name matching with individuals / entities appearing on various negative lists maintained by IMS. In case of exact match, relationship should be discontinued.
- IMS shall reject the account opening application in case the applicants name is found in OFAC's (Office of Foreign Asset Control) specially designated persons or blocked person list maintained by the U.S department of the Treasury (www.treasury.gov)

Know Your customer

The inadequacy or absence of KYC standards can subject IMS's to serious customer and counterparty risks, especially reputational, operational, Legal and concentration risks. It is worth noting that all these risks are interrelated. However, any one of them can result in significant financial cost to IMS, along with considerable management time and energy to resolving problems that arise.

Effectively devised KYC policy is the most important defense against the money launderers. While fulfilling legal requirements, the contents of regulatory requirements should be kept in view before establishing a customer/account opening relationship.

Procedures

The knowledge of the customer base and business operations will also help IMS as under:

- a) Detect suspicious activity in a timely manner.
- b) Promote compliance with all brokerage laws.
- c) Promote safe and sound brokerage practices.
- d) Minimize the risk of brokerage channels being used for illicit activities.
- e) Protect IMS reputation & image.
- f) Bolster confidence among its customers, other brokerage houses, and brokerage regulators.
- g) Protect IMS against negative legal consequences related to cooperating with entities supporting terrorism.

IMS would not do business with;

- Individuals / entities subject to UN sanctions
- Individuals / entities under OFAC or local country sanctions as applicable
- Unauthorized money changers/prize bond dealers
- Anonymous customers
- Customers hiding beneficial ownership of the account

- Client or business segment black listed by brokerage house, IMS or by the Regulators.
- Shell Banks & off shore corporate clients.
- Fund, investment manager, fund custodian or institution that operates omnibus accounts.
- Government officials willing to open government’s accounts in their personal names.

IMS shall conduct enhanced due diligence procedures before establishing relationships with the following High Risks Customers;

- Trusts, NGOs, NPOs, Foundations, Welfare Association, Religious Entities, Club, Societies,
- Authorized Money Exchange Cos., Controversial entity, Jewelers, Arms Dealers.
- Politically Exposed Persons (PEPs)
- Any individual or entity that has caused or has been related to a credit, operational or reputational loss to IMS
- Accounts of foreign nationals belonging to sanctioned countries
- Walk in customers
- Non- resident customers

Any customer relationship where the customer's conduct gives the IMS reasonable cause to believe or suspect involvement with illegal activities is required to be reported to the Regulators or relevant authorities.

7. PROCEDURES FOR DOCUMENTATION & VERIFICATION OF LOW RISK CUSTOMER

(a) Documentation

Type of Customer	Information/Documents
Individual/Sole Proprietorship	Name
	Father Name
	Address
	Telephone Number
	Copy of CNIC or Passport
	Source of income
	Business/Employment proof
Partnership Account	Name of partnership and Partners
	Father’s name of partners
	Address
	Telephone No.
	Copies of CNIC of all the partners
	Copies of latest financials of partnership

Joint Stock Companies	Name of Companies and its Directors
	Registered Address
	Telephone number
	Copies of CNIC of all Directors
	Audited Accounts of the company
	Memorandum and Articles of Association
	Board Resolution
Trust	Copy of CNIC of all the Trustees
	Certified Copy of Trust Deeds
	Trustee/ Governing Body Resolution
	Copy of Latest Financials of the Trust

(b) Documentation for Investors who can't sign or have unsuitable signatures

Investors who cannot sign or have unstable signatures shall be required to submit two recent passport size photographs and Thumb impression on the Account Opening form attested by the Branch Manager of the Bank where the investor maintains an account.

(c) Sending Account Statement

After opening of a new account, the Transfer Agent sends an Account Statement to the investor through a registered post/ courier on his/her postal address in order to notify the investor of their account status and to confirm the address of the investor.

(d) Steps for Enhanced Due Diligence

Enhanced due diligence (EDD) for higher-risk customers is especially critical in understanding their anticipated transactions and implementing suspicious activity monitoring system that reduces the IMS reputation, compliance, and transaction risks.

IMS determines if a customer possess a higher risk because of the customer's business activity, ownership structure, anticipated or actual volume and types of transactions, including those transactions involving higher risk jurisdictions.

- I. Request for further documentation/ Information
- II. Review of the documents/ Information
- III. Approval for Account opening of the higher risk customers.

When the IMS is not able to satisfactorily complete required CDD/KYC measures, account opening applications are rejected; business relationships are not established/ terminated and business transaction are not carried out

8. Monitoring and Reporting of Suspicious Transaction/Activity

In case where the IMS is not able to satisfactorily complete required CDD/KYC measures, accounts are not opened; business relationships are not established/ terminated and business transaction are not carried out. Instead reporting of suspicious transaction may be considered as outlined later in this document.

All personnel are diligent in monitoring for any unusual or suspicious transactions/activity based on the relevant criteria applicable.

(a) Suspicious Transactions

The following are examples of potential suspicious transactions for both money laundering and terrorist financing. The lists of situations given below are intended mainly as a means of highlighting the basic ways in which money may be laundered. These lists are not all-inclusive

While each situation may not be sufficient to suggest that money laundering or a criminal activity is taking place, a combination of such situations may be indicative of such a transaction. A customer's declaration regarding the background of such transaction shall be checked for plausibility. Closer scrutiny shall help to determine whether the activity is suspicious or one for which there does not appear to be a reasonable business or legal purpose.

It is justifiable to suspect any customer who is reluctant to provide normal information and documents required routinely by the financial institutions in the course of the business relationship. The IMS will pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provide information that is difficult or expensive to verify.

- I. Transaction which do not make economical sense
- II. Transaction inconsistent with the customer's business
- III. Transactions involving transfers to and from abroad
- IV. Transactions involving structuring to avoid reporting or identification requirement

(b) Potential Indicators of Money Laundering/Terrorist Financing

The following examples of potentially suspicious activity that may involve money laundering or terrorist financing threat are primarily based on guidance note provided by the FATF in the name of "Guidance for Financial Institutions in Detecting Terrorist Financing". FATF is an intergovernmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.

- I. Activities inconsistent with the customer business
- II. Fund Transfers
- III. Other transactions that appear unusual or suspicious

(c) Reporting of Suspicious Transaction

It is a Policy of IMS:

- To remain vigilant on unusual or suspicious transactions or other activities that appear not to make good business or economic sense, or activities that appear to be inconsistent with the given profile of the customer, including activities that may be indicative of criminal conduct, terrorism or corruption.
- To act competently and honestly when assessing information and circumstances that might give reasonable grounds to suspect Money Laundering (ML) or Terror Financing(TF).
- To co-operate with law enforcement authorities in investigations concerning possible ML or TF within the confines of applicable laws.
- Not to alert or provide any information to any person regarding suspicion or inquiry on his or her account or transactional activities or any indication of being reported to the Regulators.

(d) Training

Training on anti-money laundering is provided to those new employees who work directly with customers and to those employees who work in other areas that may be exposed to money laundering and terrorist financing threats. Follow-up trainings also take place once a year.

(e) Non Compliance with IMS'S AML/CDD/CFT Policy

Failure to abide by the Policy set by IMS to prevent money laundering and terrorist financing will be treated as a disciplinary issue. Any deliberate breach will be viewed as severe misconduct. Such cases will be referred to HR for onward initiation of disciplinary action that could lead to termination of employment and could also result in criminal prosecution and imprisonment for the concerned staff member

9. Record Retention

It is a Policy of IMS:

- To retain identification and transaction documentation for the minimum period as required by applicable Laws and Regulations.
- To retain records of all suspicious activity reports made by Compliance department to Regulators for an indefinite period unless advised by the Regulator otherwise.
- To be in a position to retrieve, in a timely fashion, records that are required by law enforcement agencies as part of their investigations.

To keep records of KYC, CDD, AML/CFT training provided to the employees, nature of the training and the names of staff who received such training.

10. ACCOUNTABILITIES AND RESPONSIBILITIES

The Board is Responsible for:

- Ensuring that adequate systems and controls are in place to deter and recognize criminal activity, money laundering and terrorist financing.
- Seeking compliance reports including coverage of AML/CFT issues) on quarterly basis and taking necessary decisions required to protect IMS from use by criminals for ML & TF activities.
- The Oversight of the adequacy of systems and controls that are in place to deter and recognize criminal activity, money laundering and terrorist financing.

Management is Responsible for:

- Ensuring that AML/CDD/CFT policy is implemented in letter and spirit.\

All Employees are Responsible for:

- Remaining vigilant to the possibility of money laundering / terrorist financing through use of IMS's products and services.
- Complying with all AML/CFT policies and procedures in respect of customer identification, account monitoring, record keeping and reporting.
- Promptly reporting to CO where they have knowledge or grounds to suspect a criminal activity or where they have suspicion of money laundering or terrorist financing whether or not they are engaged in AML / CFT monitoring activities.
- Understanding IMS's Policy and Procedures on AML/CDD/CFT and to sign-off on the require Form.
- Employees who violate any of the Regulations or the IMS's AML/CDD/CFT policies and procedures will be subject to disciplinary action.

11. Internal Audit

Internal Auditor of the IMS shall also review the compliance of the Anti Money Laundering function of the Company to ensure that the AML Policy is being effectively implemented by the management of the IMS management.

12. Annexure