

# ALPHA CAPITAL (PVT) LIMITED

## ANTI MONEY LAUNDRING (AML)

### (POLICY & PROCEDURES)

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## 1 Company's Policy

Money Laundering ("ML") and Terrorist Financing ("TF") are economic crimes that threaten Pakistan's overall financial sector reputation and expose financial institutions to significant operational, regulatory, legal and reputational risks, if used for ML and TF. In order to avoid ML and TF ALPHA CAPITAL (PVT) LIMITED has adopted effective Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") control processes and procedures in line with the guidelines on Anti-Money Laundering, Countering Financing Of Terrorism, and Proliferation Financing Provided By The Securities And Exchange Commission Of Pakistan ("SECP"). The Securities and Exchange Commission of Pakistan' Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 ("the Regulations") shall be deemed essential part of this AML Policy and the 40 Recommendations and guidance papers issued by the Financial Action Task Force ("FATF").

It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will be used later for criminal purposes. All employees of AASL are required to receive a copy of the Company's AML policy and are required to follow such policy and procedures. If an employee is caught violating any portion of the Company's AML policies and procedures, a meeting with the Compliance Officer will occur, with the employee given written warning of such violation. If the employee violates the AML policies and procedures for the second time, immediate termination will occur.

## 2 Policy, Procedures and Controls:

As required under clause 4 (a) of the SECP AML/CFT Regulations, ALPHA CAPITAL (PVT) LIMITED shall:

1. develop and implement policies, procedures and controls with the approval of its Board of Directors for enabling ALPHA CAPITAL (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;

2. monitor the implementation of those policies, procedures and controls and enhance them if necessary;
3. perform enhanced measures where higher risks are identified, to effectively manage; and mitigate those higher risks;
4. have an independent audit function to test the system.

The Policies, Procedures and Controls shall 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 shall be internal procedures for detecting, monitoring and reporting suspicious transactions.

### 3 Compliance Officer Designation, Appointment and Duties

The Company will designate a Compliance Officer (“CO”) with full responsibility for the Company’s AML program. The duties of the Compliance Officer will include monitoring the Company’s AML compliance, overseeing communication and training for employees. The Compliance Officer will also ensure that proper AML records are maintained.

The CO shall report directly, and periodically to the Board of Directors (“Board”) or to another equivalent executive position or committee. The CO shall be a person who is fit and proper to assume this role and who:

1. has sufficient skills and experience to develop and maintain systems and controls (including documented policies and procedures);
2. has sufficient resources, including time and support staff;
3. has access to all information necessary to perform the AML/CFT compliance function;
4. ensure regular audit of the AML/CFT program;
5. maintain various logs, as necessary, which shall include logs with respect to declined business, politically exposed person (“PEPs”), and request from Commission, Financial Monitoring Unit (“FMU”) and Law Enforcement Agencies (“LEAs”) particularly in relation to investigation; and
6. respond promptly to requests for information by the SECP/LEAs.

### 4 Providing AML Information to Law Enforcement Agencies

ALPHA CAPITAL (PVT) LIMITED will respond to Law Agencies and Other Financial Institutions requests with respect to respective accounts or transactions by reporting the specified individual or organization, the account number, all identifying information provided by the account holder when the account was established, and the date and type of transaction.

ALPHA CAPITAL (PVT) LIMITED will share information about those suspected of terrorism and money laundering with other financial institutions in order to identify and report activities that may involve terrorist acts or money laundering activities.

## **5 Monitoring of AML/CFT Systems and Control:**

1. ALPHA CAPITAL (PVT) LIMITED shall, on a regular basis, conduct an AML/CFT review to independently evaluate the effectiveness of compliance with AML/CFT Policies and Procedures;
2. The frequency of the review shall at least be half on yearly basis.
3. The AML/CFT review shall be conducted to assess the AML/CFT systems including:
  - a) to test the overall integrity and effectiveness of the AML/CFT systems and controls;
  - b) to assess the adequacy of internal policies and procedures in addressing identified risks, including;
    - CDD measures;
    - Record keeping and retention;
    - Third party reliance; and
    - Transaction monitoring.
  - c) to assess compliance with the relevant laws and regulations;
  - d) to test transactions in all areas of ALPHA CAPITAL (PVT) LIMITED, with emphasis on high-risk areas, products and services;
  - e) to assess employees' knowledge of the laws, regulations, guidance, and policies & procedures and their effectiveness in implementing policies and procedures;
  - f) to assess the adequacy, accuracy and completeness of training programs;
  - g) to assess the effectiveness of compliance oversight and quality control including parameters for automatic alerts (if any); and
  - h) to assess the adequacy of ALPHA CAPITAL (PVT) LIMITED's process of identifying suspicious activity including screening sanctions lists.

## **6 Procedure for Change in Policy:**

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; and
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.

## **7 Three Lines of Defense:**

ALPHA CAPITAL (PVT) LIMITED shall establish the following three (3) lines of Defense to combat ML/TF:

## 1. Communication of AML/CFT Policy to Employees:

Policies and procedures shall be clearly specified in writing, and communicated to all employees. 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 ALPHA CAPITAL (PVT) LIMITED which include the following:

- a) Account Opening Forms shall 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”;
- b) KYC forms shall be completed in the presence of the Customer;
- c) All attachments needed as per Standard Account Opening Forms of CDC and PSX shall be completed;
- d) Account Opening amount shall be accepted in cheque/pay-order/demand draft on the bank of beneficial owner of the customer.
- e) Account Opening confirmation along with all details entered into ALPHA CAPITAL (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.

## 2. Authority to Compliance Officer :

The Compliance Officer shall have the full authority to oversee the compliance, controls and effectiveness of Company’s AML/CFT systems and legislation, and provide guidance in day-to-day operations of the AML/CFT policies and procedures. He will check the account opening forms along with all annexure before allowing the Customer to start Business Relation with ALPHA CAPITAL (PVT) LIMITED;

- a) 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 ALPHA CAPITAL (PVT) LIMITED;
- b) 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
- c) The Compliance Officer shall do the Risk Profiling of the Customer based on Risk Assessment of the Customer

## 3. Internal Audit Process:

The Internal Auditor shall periodically conduct AML/CFT audits on an Institution-wide basis:

- a) 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;
- b) Internal Auditor shall follow-up their findings and recommendation until their complete rectifications.



## 8 Identification of Customers, Assessment and Understanding Risk:

1. ALPHA CAPITAL (PVT) LIMITED shall understand, identify and assess the inherent ML/TF risks posed by its:
  - a) customer base;
  - b) products and services offered;
  - c) delivery channels;
  - d) the jurisdictions within which it or its Customers do business; and
  - e) other relevant risk category.
2. ALPHA CAPITAL (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
  - a) High
  - b) Medium
  - c) Low
3. ALPHA CAPITAL (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.
4. ALPHA CAPITAL (PVT) LIMITED shall 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:
  - a) financial loss to ALPHA CAPITAL (PVT) LIMITED from the crime;
  - b) monetary penalty from regulatory authorities; and
  - c) reputational damages to the business or the entity itself.
5. ALPHA CAPITAL (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;
  - a) High if it can occur several times per year;
  - b) Medium if it can occur once per year; and
  - c) Low if it is unlikely, but not possible.

## 9 Risk Management:

### 1. High-Risk Classification Factors:

- a) ALPHA CAPITAL (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 ALPHA CAPITAL (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:

- b) The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between ALPHA CAPITAL (PVT) LIMITED and the Customer);
- c) Non-resident Customers;
- d) Legal persons or arrangements;
- e) Companies that have nominee shareholders;
- f) Business that is cash-intensive;
- g) 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;
- h) Politically Exposed Persons;
- i) Shell companies, especially in cases where there is foreign ownership which is spread across jurisdictions;
- j) Trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets; and
- k) Requested/Applied quantum of business does not match with the profile/particulars of client.

## 2. Country or Geographic Risk Factor:

Due to location of a customer, the origin of a destination of transactions of the Customer, business activities of ALPHA CAPITAL (PVT) LIMITED itself, its location and location of its geographical units, Country or Geographical Risk may arise. Country or Geographical risk combined with other risk categories provides useful information on potential exposure to ML/TF. ALPHA CAPITAL (PVT) LIMITED may indicate High Risk to its Customers based on following factors:

- a) Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports by international bodies such as the FATF, as not having adequate AML/CFT systems;
- b) Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations;
- c) Countries identified by credible sources as having significant levels of corruption or other criminal activity; and
- d) Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.



### 3. Product, Service, Transaction or Delivery Channel Risk Factor:

ALPHA CAPITAL (PVT) LIMITED shall take into account the potential risks arising from the products, services, and transactions that it offers to its Customers and the way these products and services are delivered, shall consider the following factors:

- a) Anonymous transactions (which may include cash);
- b) Non-face-to-face business relationships or transactions;
- c) Payments received from unknown or un-associated third parties;
- d) International transactions, or involve high volumes of currency (or currency equivalent) transactions;
- e) New or innovative products or services that are not provided directly by ALPHA CAPITAL (PVT) LIMITED, but are provided through channels of the institution;
- f) Products that involve large payment or receipt in cash; and
- g) One-off transactions.

### 4. Low Risk Classification Factor:

#### a) Customer risk factors:

- ALPHA CAPITAL (PVT) LIMITED shall rate a Customer as Low Risk and justify in writing who satisfies the requirements under regulation 11 (2) (a) and (b) of the SECP AML/CFT Regulations as under:
- Regulated entities and banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements;
- public listed companies that are subject to regulatory disclosure requirements to ensure adequate transparency of beneficial ownership;

### 5. Product, service, transaction or delivery channel risk factors:

- ALPHA CAPITAL (PVT) LIMITED rate the product, service, transaction or delivery channel that satisfy the requirement under regulation 11(2) (g) of the SECP AML/CFT Regulations, such as the financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.

### 6. Risk Matrix:

ALPHA CAPITAL (PVT) LIMITED may use risk matrix annexed as Annexure-1 to SECP Guideline on AML/CFT Regulations as a method of assessing risk in order to identify the types or categories of Customers that are;

- in Low Risk category;
- those that carry somewhat higher risk, but still under acceptable risk; and
- those that carry a high or unacceptable risk of money laundering and terrorism financing.

## 7. Risk Tolerance:

- a) Risk Tolerance is the amount of risk that ALPHA CAPITAL (PVT) LIMITED is willing and able to accept and correlate its Risk Mitigation Measures and Controls accordingly, for example:
- b) If ALPHA CAPITAL (PVT) LIMITED determines that the Risk associated with a particular type of Customer exceed its Risk Tolerance, it may decide not to accept or maintain that particular type of Customer(s).
- c) Conversely, if ALPHA CAPITAL (PVT) LIMITED determine that the Risk associated with a particular type of Customer are within the bound of its Risk Tolerance, it must ensure that Risk mitigation Measures it applies are commensurate with the Risk associated with that type of Customer(s).
- d) Senior Management and the Board of ALPHA CAPITAL (PVT) LIMITED shall establish their Risk Tolerance, based on which ALPHA CAPITAL (PVT) LIMITED shall have sufficient capacity and expertise to effectively manage the Risk acceptable in line with their Risk Tolerance and the consequences such as legal, regulatory, financial and reputation, of AML/CFT compliance failure.
- e) If ALPHA CAPITAL (PVT) LIMITED decides to establish a high-risk Tolerance and accept high risk then it shall have Mitigation Measures and Controls in place commensurate with those high risks.

## 8. Risk Mitigation and Controls Measures:

ALPHA CAPITAL (PVT) LIMITED shall consider the following Risk Mitigation Measures:

- a) determining the scope of the identification and verification requirements or ongoing monitoring based on the risks posed by particular customers;
- b) setting transaction limits for higher-risk Customers such as:
  - For Individual Customer, Rs. 5 million net of Sale and Purchase for a particular month;
  - For Corporate Customer, Rs. 25 million net of Sale and Purchase for a particular month.
  - For Foreigner Individual, \$ 1 million net of Sale and Purchase for a particular month.
  - For Foreigner Corporate, \$ 5 million net of Sale and Purchase for a particular month.
- c) requiring senior management approval for higher-risk transactions, including those involving PEPs;

- d) determining the circumstances under which they may refuse to take on or terminate/cease high risk customers;
- e) determining the circumstances requiring senior management approval (e.g. high risk or large transactions, when establishing relationship with high risk customers such as PEPs)

## 9. Non-cooperative Customers

If a potential or existing client either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open a new account and, after considering the risks involved, consider closing any existing account.

The Company will also refuse any account which is determined to be “high risk” by the compliance officer. Whether or not to accept an account from a high-risk business is determined on a case-by-case basis after taking into account all the facts and circumstances of each case. For example, AASL will evaluate such criteria such as the size of the account being opened. If a high-risk business account is opened, it will be monitored closely on an on-going basis to determine if any unusual cash movement or trading activity is occurring.

## 10. Frequency of Risk Assessment

- a) Once the identification procedures have been completed and the business relationship is established, the ALPHA CAPITAL (PVT) LIMITED is required to monitor the conduct of the relationship to ensure that it is consistent with the nature of business stated when the relationship/account was opened.
- b) ALPHA CAPITAL (PVT) LIMITED shall conduct ongoing monitoring of their business relationship with its Customers. Ongoing monitoring helps the ALPHA CAPITAL (PVT) LIMITED to keep the due diligence information up-to-date, and review and adjust the risk profile of the customers, where necessary.
- c) ALPHA CAPITAL (PVT) LIMITED conduct on-going due diligence which include scrutinizing the transactions undertaken through the course of business relationship with a customer.

## 10 Verifying Information

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our clients by using risk-based procedures to verify and document the accuracy of the information we get about our clients. In verifying client identity, we will analyze any logical inconsistencies in the information we obtain.

We will verify client identity through documentary evidence, non-documentary evidence, or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. We may also use such non- documentary

means, after using documentary evidence, if we are still uncertain about whether we know the true identity of the customer. We will provide notice to the customer that we are requesting additional information to verify the customer's identity. We will not open a client account if we cannot form a reasonable belief of the client's true identity. If the client's identity cannot be proven, a SAR will be filed if warranted by the compliance officer.

Appropriate documents for verifying the identity of natural persons include the following: An unexpired driver's license, passport, or other government identification showing nationality, residence, and photograph or other biometric safeguard, an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard.

## 11 Customer due diligence ("CDD")

### 1. For Natural Persons:

ALPHA CAPITAL (PVT) LIMITED is required to know who its Customers are and it shall not keep anonymous accounts or accounts in fictions names. ALPHA CAPITAL (PVT) LIMITED shall take the following steps to ensure that its Customers are who they purport themselves to be:

- a) To identify and verify the Customers including their beneficial owners;
- b) To understand the intended nature and purpose of the relationship;
- c) To know actual ownership; and
- d) To know control structure of the Customer.

ALPHA CAPITAL (PVT) LIMITED shall conduct ongoing due diligence on the business relationship and scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with:

- a) Knowledge of the Customer;
- b) Business and Risk Profile as assessed through Annexure-3 of SECP Guidelines on AML/CFT Regulations;
- c) Where necessary, the source of funds.

ALPHA CAPITAL (PVT) LIMITED shall conduct CDD when establishing a business relationship if:

- a) There is a suspicion of ML/TF, Annex 4 gives some examples of potentially suspicious activities or "red flags" for ML/TF; or
- b) There are doubts as to the veracity or adequacy of the previously obtained customer identification information.

In case of suspicion of ML/TF, ALPHA CAPITAL (PVT) LIMITED should:

- a) Seek to identify and verify the identity of the customer and the beneficial owner(s), irrespective of any specified threshold that might otherwise apply; and

- b) File a Suspicious Transaction Reporting (“STR”) with the FMU, in accordance with the requirements under the Law.

ALPHA CAPITAL (PVT) LIMITED shall monitor transactions to determine whether they are linked and restructured into two or more transactions of smaller values to circumvent the applicable threshold.

ALPHA CAPITAL (PVT) LIMITED shall verify the identification of a customer using reliable independent source documents, data or information including verification of CNICs from Verisys. Similarly, RPs shall identify and verify the customer’s beneficial owner(s) to ensure that the RP understands who the ultimate beneficial owner is.

ALPHA CAPITAL (PVT) LIMITED shall ensure that they understand the purpose and intended nature of the proposed business relationship or transaction.

ALPHA CAPITAL (PVT) LIMITED shall also verify whether that authorized person is properly authorized to act on behalf of the customer while conducting CDD on the authorized person(s) using the same standards that are applicable to a customer and ascertaining the reason for such authorization and obtain a copy of the authorization document.

## 2. Beneficial Ownership of Legal Persons and Legal Arrangements:

ALPHA CAPITAL (PVT) LIMITED shall identify and verify the identity of the customer, and understand the nature of its business, and its ownership and control structure.

The purpose of the requirements set out regarding the identification and verification of the applicant and the beneficial owner is twofold:

- first, to prevent the unlawful use of legal persons and arrangements, by gaining a sufficient understanding of the applicant to be able to properly assess the potential ML/TF risks associated with the business relationship; and
- second, to take appropriate steps to mitigate the risks.

If ALPHA CAPITAL (PVT) LIMITED has any reason to believe that an applicant has been refused facilities by another ALPHA CAPITAL (PVT) LIMITED due to concerns over illicit activities of the customer, it should consider classifying that applicant:

- a) as higher-risk and apply enhanced due diligence procedures to the customer and the relationship;
- b) filing an STR; and/or
- c) not accepting the customer in accordance with its own risk assessments and procedures.



ALPHA CAPITAL (PVT) LIMITED shall accept copies of the documents for identifying a Customer verified by seeing originals during establishing business relationship.

### 3. Identification of Customers that are not physically present:

ALPHA CAPITAL (PVT) LIMITED shall apply equally effective Customers identification procedures and ongoing monitoring standards for Customers not physically present for identification purposes as for those where the client is available for interview.

Where a Customer has not been physically present for identification purposes, practices will generally not be able to determine that the documentary evidence of identity actually relates to the Customers they are dealing with.

Consequently, there are increased risks and practices must carry out at least one of the following measures to mitigate the risks posed:

- a) further verifying the Customer's identity on the basis of documents, data or information referred in Annexure-1 to AML/CFT Regulations, but not previously used for the purposes of verifying the client's identity;
- b) taking supplementary measures to verify the information relating to the client that has been obtained by the practice.

### 4. Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

- a) The client exhibits unusual concern about the Company's compliance with government reporting requirements and the Company's AML policies, particularly on his or her identity, type of business and assets, or is reluctant, or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
- b) The client wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the client's stated business or investment strategy.
- c) The information provided by the client that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- d) Upon request, the client refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- e) The client (or a person publicly associated with the client) has a questionable background, or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- f) The client exhibits a lack of concern regarding risks of the investment.
- g) The client appears to be acting as an agent for an undisclosed principal, but declines, or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.

- h) The client has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- i) The client attempts to make frequent or large deposits of currency, or asks for exemptions from the Company's policies relating to the deposit of cash and cash equivalents.
- j) For no apparent reason, the client has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- k) The client is from, or has accounts in, a country identified as a non-cooperative country.
- l) The client's account shows numerous currency or cashier's check transactions aggregating to significant sums.
- m) The client's account has wire transfers that have no apparent business purpose to or from a country identified as money laundering risk or a bank secrecy haven.
- n) The client's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- o) The client makes a funds deposit followed by an immediate request that the money be wired or transferred to a third party, or to another Company, without any apparent business purpose.
- p) The client makes a funds deposit for purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- q) The client engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- r) The client requests that a transaction be processed to avoid the Company's normal documentation requirements.
- s) Responding to Red Flags and Suspicious Activity

When a member of the Company detects any red flag, he/she will investigate further under the direction of the AML Compliance Officer. This may include gathering additional information internally or from third party sources and report the instance to CEO.

## 5. If Customer Due Diligence Measures are Not Completed:

Where a ALPHA CAPITAL (PVT) LIMITED is unable to complete and comply with CDD requirements as specified in the Regulations:

### a) For New Customers:

- it shall not open the account;
- commence a business relationship; or
- perform the transaction.

### b) For Existing Customers:

- ALPHA CAPITAL (PVT) LIMITED shall terminate the relationship.
- Additionally, ALPHA CAPITAL (PVT) LIMITED shall consider making a STR to the FMU.

## 12 Enhanced Customer Due Diligence

- **High Risk Persons or Transactions:**

ALPHA CAPITAL (PVT) LIMITED shall be required to perform Enhanced Due Diligence on the following:

- a) Persons or transactions involving a country identified as higher risk by FATF;
- b) Persons or transactions involving higher risk countries for ML, TF and corruption or subject to international sanctions; and
- c) Any other situation representing a higher risk of ML/TF including those that you have identified in your Risk Assessment.

- **High Risk Business Relationship:**

ALPHA CAPITAL (PVT) LIMITED shall apply enhanced CDD measures for high risk business relationships include:

- a) Obtaining additional information on the applicant/customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
- b) Updating more regularly the identification data of applicant/customer and beneficial owner;
- c) Obtaining additional information on the intended nature of the business relationship;
- d) Obtaining additional information on the source of funds or source of wealth of the applicant/customer;
- e) Obtaining additional information on the reasons for intended or performed transactions;
- f) Obtaining the approval of senior management to commence or continue the business relationship; and
- g) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

- **High Risk Countries and Territories:**

ALPHA CAPITAL (PVT) LIMITED is required to consult the following to identify above persons or transactions to be aware of the high risk countries/territories:

- a) Publicly available information;
- b) Sanctions list issued by the UN;
- c) FATF high risk and non-cooperative jurisdictions;
- d) FATF and its regional style bodies (FSRBs) and Transparency international corruption perception index;
- e) Useful websites include:
  - a) FATF website: [www.fatf-gafi.org](http://www.fatf-gafi.org) ; and
  - b) Transparency International website: [www.transparency.org](http://www.transparency.org).

- **Complex and Unusual Transactions:**

ALPHA CAPITAL (PVT) LIMITED shall examine the background and purpose of all complex, unusual large transaction, and all unusual patterns of transactions, that have no apparent economic or lawful purpose and conduct enhanced CDD Measures consistent with the risk identified.

- **Suspicious Accounts:**

ALPHA CAPITAL (PVT) LIMITED shall apply enhanced CDD measures to the following accounts:

- a) The Customer instructs not to issue any correspondence to the accountholder's address;
- b) Hold Mail" accounts; and
- c) Where the evidence of identity of the account holder is not already in the file.

## 13 Simplified Due Diligence Measures (“SDD”)

- **General Principles of SDD:**

- ALPHA CAPITAL (PVT) LIMITED may conduct SDD in case of lower risks identified by it. However, ALPHA CAPITAL (PVT) LIMITED shall ensure that the low risks it identifies are commensurate with the low risks identified by the country or the Commission. While determining whether to apply SDD, ALPHA CAPITAL (PVT) LIMITED should pay particular attention to the level of risk assigned to the relevant sector, type of customer or activity.
- SDD is not acceptable in higher-risk scenarios where there is an increased risk, or suspicion that the applicant is engaged in ML/TF, or the applicant is acting on behalf of a person that is engaged in ML/TF.
- Where the risks are low and where there is no suspicion of ML/TF, the law allows ALPHA CAPITAL (PVT) LIMITED to rely on third parties for verifying the identity of the applicants and beneficial owners.
- Where ALPHA CAPITAL (PVT) LIMITED decides to take SDD measures on an applicant/customer, it should document the full rationale behind such decision and make available that documentation to the Commission on request.

- **Category of Low Risk Customers:**

ALPHA CAPITAL (PVT) LIMITED may rate a Customer as low risk justifying it in writing and low risk Customers may include the following:

- a) regulated person and banks provided they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those requirements;
- b) public listed companies that are subject to regulatory disclosure requirements to ensure adequate transparency of beneficial ownership; and
- c) financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.

- **Simplified Due Diligence (“SDD”) Measures:**

ALPHA CAPITAL (PVT) LIMITED shall apply following Simplified Due Diligence measures on Low risk Customer:

- a) reducing the frequency of customer identification updates;
- b) reducing the degree of on-going monitoring and scrutinizing transactions, based on a reasonable monetary threshold; and
- c) not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transaction or business relationship established.

## 14 Politically Exposed Persons

### Definition:

Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 defines that “Politically exposed persons” or “PEPs” includes-

- i. foreign PEPs, individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials;
- ii. domestic PEPs, individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials;
- iii. persons who are or have been entrusted with a prominent function by an international organization, means members of senior management and members of the board or equivalent functions:

Provided that middle ranking or more junior individuals in the above referred categories are not included in the definition of PEPs;

Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption, bribery, and conducting activity related to terrorist financing (TF). The potential risks associated with PEPs justify the application of additional anti-money laundering/counter-terrorist financing (AML/CFT) preventative measures with respect to business relationships with PEPs.

- **Politically Exposed Persons Categories**



a) **Foreign PEPs**

Individuals who are, or have been entrusted with prominent public functions by a foreign country, for example heads of state or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

b) **Domestic PEPs**

Individuals who are, or have been entrusted domestically with prominent public functions, for example heads of state or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

c) **International organization PEPs**

Persons who are, or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions i.e. directors, deputy directors, and members of the board or equivalent functions.

d) **Family members**

Individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership.

e) **Close associates**

Individuals who are closely connected to a PEP, either socially or professionally.

• **Procedure of Approval from Senior Management**

Senior Management shall provide approval to CO to determine the nature and extent of EDD where the ML/TF risks are high. In assessing the ML/TF risk of a PEP, ALPHA CAPITAL (PVT) LIMITED shall consider factors such as whether the PEP:

- a) Is from a high risk country;
- b) Has prominent public function in sectors know to be exposed to corruption;
- c) Has business interests that can cause conflict of interests.

• **Measures to Establish Source of Wealth and Funds**

ALPHA CAPITAL (PVT) LIMITED shall consider other red flags including:

- a) The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;
- b) Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;
- c) A PEP uses multiple bank accounts for no apparent commercial or other reason;
- d) The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.

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ALPHA CAPITAL (PVT) LIMITED shall take a risk based approach in determining whether to continue to consider a customer as a PEP who is no longer a PEP. The factors that they should consider include:

- a) the level of (informal) influence that the individual could still exercise; and
- b) whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).

Additionally, where appropriate, ALPHA CAPITAL (PVT) LIMITED shall consider filing a STR.

## 15 Record Keeping Procedures

ALPHA CAPITAL (PVT) LIMITED shall ensure that all information obtained in the context of CDD is recorded when verifying the identity of the customer or the beneficial owner and transcription into ALPHA CAPITAL (PVT) LIMITED's own systems of the CDD information contained in such documents or obtained by other means.

ALPHA CAPITAL (PVT) LIMITED shall maintain, for at least 5 years after termination, all necessary records on transactions to be able to comply swiftly with information requests from the competent authorities. Such records should be sufficient to permit the reconstruction of individual transactions, so as to provide, if necessary, evidence for prosecution of criminal activity.

Where there has been a report of a suspicious activity or ALPHA CAPITAL (PVT) LIMITED is aware of a continuing investigation or litigation into ml/ft relating to a customer or a transaction, records relating to the transaction or the customer shall be retained until confirmation is received that the matter has been concluded.

ALPHA CAPITAL (PVT) LIMITED shall also keep following records of identification data obtained through the customer due diligence process that would be useful to an investigation for a period of 5 years after the business relationship has ended:

- Account files;
- Business correspondence;
- Records pertaining to enquiries about:
  - i. Complex;
  - ii. Unusual large transactions; and
  - iii. Unusual patterns of transactions.

Beneficial ownership information must be maintained for:

- At least five (5) years after the date on which the customer (a legal entity) is dissolved or otherwise ceases to exist; or
- five (5) years after the date on which the customer ceases to be a customer of ALPHA CAPITAL (PVT) LIMITED.

Records relating to verification of identity will generally comprise:

- A description of the nature of all the evidence received relating to the identity of the verification subject; and
- The evidence itself or a copy of it or, if that is not readily available, information reasonably sufficient to obtain such a copy.

Records relating to transactions will generally comprise:

- Details of personal identity, including the names and addresses, of:

- I. The customer;
  - II. The beneficial owner of the account or product; and
  - III. Any counter-party
- Details of securities and investments transacted including:
    - I. The nature of such securities/investments;
    - II. Valuation(s) and price(s);
    - III. Memoranda of purchase and sale;
    - IV. Source(s) and volume of funds and securities;
    - V. Destination(s) of funds and securities;
    - VI. Memoranda of instruction(s) and authority(ies);
    - VII. Book entries;
    - VIII. Custody of title documentation;
    - IX. The nature of the transaction;
    - X. The date of the transaction;
    - xi. The form (e.g. Cash, cheque) in which funds are offered and paid out.

## 16 Suspicious Transaction Reporting

### Definition

A suspicious transaction is one for which there are reasonable grounds to suspect that the transaction is related to a money laundering offence or a terrorist activity financing offence. A suspicious transaction can include one that was attempted.

- **Course of Action for Employees to Identify Suspicious Transactions:**

Staff may assess the following transactions as suspicious where a transaction is inconsistent in amount, origin, destination, or type with a Customer's know how, legitimate business or personal activities;

- a) ALPHA CAPITAL (PVT) LIMITED shall put on enquiry if transaction is considered unusual.
- b) ALPHA CAPITAL (PVT) LIMITED shall pay special attention to the following transactions:
  - All complex transactions;
  - Unusually large transactions; and
  - Unusual pattern of transactions that have no apparent economic or visible lawful purpose.

- **Confidential Reporting of AML Non-Compliance**

Employees will report any violations of the Company's AML compliance program to the Compliance Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to other firm principals. Such reports will be confidential and the employee will suffer no retaliation for making them.

- **Reporting to Compliance Officer:**

Where the enquiries conducted by ALPHA CAPITAL (PVT) LIMITED do not provide a satisfactory explanation of the transactions, respective dealer/sale agent may consider that there are grounds for suspicion requiring disclosure and escalating the matter to the Compliance Officer.

- **Reporting to Relevant Authority:**

- The Compliance Officer shall conduct enquiries regarding complex, unusual large transaction, and unusual patterns of transactions, their background and document their results properly. He may make such transaction available to relevant authorities upon their request.
- Activities which should require further enquiry may be recognizable as falling into one or more of the following categories:
- any unusual financial activity of the Customer in the context of the Customer's own usual activities;
  - any unusual transaction in the course of some usual financial activity;
  - any unusually-linked transactions;
  - any unusual method of settlement;
  - any unusual or disadvantageous early redemption of an investment product;
  - any unwillingness to provide the information requested.

## 17 Currency Transaction Reporting

ALPHA CAPITAL (PVT) LIMITED limited will report the currency transaction report to the relevant authorities as and when required. Currency Transaction Report is a threshold based report of cash transaction undertaken by the customers of Reporting Entities. A CTR has been defined under Section 2(c) of AML Act 2010, according to which, a CTR is a report on currency transaction of such an amount as may be specified by the National Executive Committee by notification in the official Gazette. Section 5 of AML Regulations 2015 further explains that the CTR is filed when a cash-based transaction involving payment, receipt, or transfer of an amount, as specified by the National Executive Committee, on a prescribed format. As per Gazette notification SRO 73 (I)/2015 dated 21-01-2015, the minimum amount for reporting a CTR to FMU is two million rupees. Accordingly, all cash-based transactions of two million rupees or above involving payment, receipt, or transfer are to be reported to FMU as CTR. Likewise, cash-based foreign currency transaction equivalent to two million rupees or above are to be reported as CTR. Every single cash transaction of two million rupees or above is to be reported as CTR.

If ALPHA CAPITAL (PVT) LIMITED decides that a disclosure should be made, the law requires ALPHA CAPITAL (PVT) LIMITED to report STR without delay to the FMU, in standard form as prescribed under AML Regulations 2015. The STR prescribed reporting form can be found on FMU website through the link <http://www.fmu.gov.pk/docs/AMLRegulations2015.pdf>.



- **Reporting to Commission and Financial Monitoring Unit:**

ALPHA CAPITAL (PVT) LIMITED is required to report total number of STRs filed to the Commission on bi-annual basis within seven days of close of each half year.

- i. Vigilance systems should require the maintenance of a register of all reports made to the FMU. Such registers should contain details of:
  - the date of the report;
  - the person who made the report;
  - the person(s) to whom the report was forwarded; and
  - reference by which supporting evidence is identifiable.
- ii. Where an applicant or a Customer is hesitant/fails to provide adequate documentation (including the identity of any beneficial owners or controllers), ALPHA CAPITAL (PVT) LIMITED shall consider filing a STR.
- iii. Where an attempted transaction gives rise to knowledge or suspicion of ML/TF, ALPHA CAPITAL (PVT) LIMITED shall report attempted transaction to the FMU.
- iv. Once suspicion has been raised in relation to an account or relationship, in addition to reporting the suspicious activity ALPHA CAPITAL (PVT) LIMITED shall ensure that appropriate action is taken to adequately mitigate its risk being used for criminal activities.
- v. ALPHA CAPITAL (PVT) LIMITED may include a review of either the risk classification of the Customer or account or of the entire relationship itself.
- vi. Appropriate action may necessitate escalation to the appropriate level of decision-maker to determine how to handle the relationship, taking into account any other relevant factors, such as cooperation with law enforcement agencies or the FMU.

- **Tipping-off & Reporting:**

- **The Law prohibits tipping-off:**

- i. A risk exists that Customers could be unintentionally tipped off when ALPHA CAPITAL (PVT) LIMITED is seeking to complete its CDD obligations or obtain additional information in case of suspicion of ML/TF.
- ii. The applicant/customer's awareness of a possible STR or investigation could compromise future efforts to investigate the suspected ML/TF operation.
- iii. If ALPHA CAPITAL (PVT) LIMITED forms a suspicion of ML/TF while conducting CDD or ongoing CDD, it should take into account the risk of tipping-off when performing the CDD process.

- iv. If ALPHA CAPITAL (PVT) LIMITED reasonably believes that performing the CDD or on-going process will tip-off the applicant/customer, it may choose not to pursue that process, and should file a STR.
- v. ALPHA CAPITAL (PVT) LIMITED shall ensure that their employees are aware of, and sensitive to, these issues when conducting CDD or ongoing CDD.

## 18 Employees Training on AML/CFT

1. The CO shall clearly specify the Policies, Procedures and Controls duly approved by the Board in writing, and communicated to all employees.
2. The CO has the authority and ability to oversee the effectiveness of ALPHA CAPITAL (PVT) LIMITED AML/CFT systems, compliance with applicable AML/CFT legislation and provide guidance in day-to-day operations of the AML/CFT Policies and Procedures.
2. As part of ALPHA CAPITAL (PVT) LIMITED Anti Money Laundering program, all Employees are expected to be fully aware of its Anti-Money Laundering policies and procedures.
3. Each Employee is required to read and comply with this Compliance Manual, address concerns to the Compliance Officer and sign the acknowledgement form confirming that he/she has read and understands SECP AML and CFT Policies and Procedures.
4. To ensure the continued adherence to SECP AML and CFT Policies and Procedures, all Employees are required to reconfirm their awareness of the contents of this Compliance Manual by signing the acknowledgement form annually, or more frequently, as required by the Compliance Officer.
5. All Employees are required;
  - At a time specified by the Compliance Officer, to undertake training programs on AML and CFT Policies and Procedures.
  - To get trained in how to recognize and deal with transactions which may be related to money laundering.
  - To timely escalate and report the matter to the Compliance Officer.
  - To get themselves acquainted with SECP AML & CFT Rules & Regulations.
  - To comply with the requirements of Rules & Regulations.

### • Monitoring of Employees' Trading

The Company's compliance officer will conduct a background check, including a check of any criminal records, on all new employees hired by the firm. Any suspicious or questionable background information will be discussed with the Company's managing director prior to making any final employment decision.

If employees have trading accounts, ALPHA CAPITAL (PVT) LIMITED will subject employee accounts to the same AML procedures as client accounts, under the supervision of the AML Compliance Officer.