

This policy and procedure is intended to provide guidance and mechanism to allow Spectrum Securities (“SSPL”), its employees, officers and directors to comply with the regulatory guidelines pursuant to anti-money laundering (“AML”) laws and regulations, and to minimize the risk of SSPL’s resources being used for improper purposes.

# ANTI – MONEY LAUNDERING & KYC POLICY & PROCEDURES

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## **POLICY STATEMENT**

Money laundering is conducting or attempting to conduct a financial transaction knowing that the transaction is designed in whole or in part to conceal or disguise the nature, location, source, ownership, or control of the proceeds of specified unlawful activity. SSPL will take all necessary steps to comply with applicable AML laws and regulations. SSPL will maintain an AML program in accordance with the applicable laws and regulations. The program is reasonably designed to prevent SSPL's services from being used to facilitate money laundering and the financing of terrorist activities and or illegal activities.

SSPL is committed to full compliance with all applicable laws and regulations regarding AML procedures.

If SSPL, its personnel and/or premises are inadvertently used for money laundering or other illegal activities, SSPL can be subject to potentially serious civil and/or criminal penalties. Therefore, it is imperative that every officer, director, and employee (each, an "Employee") is familiar with and complies with the policies and procedures set forth in this Compliance Manual.

This Compliance Statement is designed to assist all clients in adhering to SSPL's policy and procedures, which, if followed diligently, are designed to protect themselves, SSPL, its Employees, its facilities and its activities from money laundering or other illegal activities.

## **OBJECTIVES OF SSPL'S AML POLICIES AND PROCEDURES**

Objectives of this document includes the following:

- a. Comply with all AML Rules & Regulations of the jurisdictions it operates in;
- b. Procedures to verify customer identification and retain necessary identifying and transactional information;
- c. A designated compliance officer to coordinate compliance with the program;
- d. Require all Employees to prevent, detect and report to the Compliance Officer all potential instances in which SSPL or its Employees, its facilities or its activities have been or are about to be used for money laundering, terrorist financing and other illegal activity;
- e. Suspicious activity reporting procedures and document retention guidelines for any suspicious activity reports and supporting documentation;
- f. Training and education of appropriate Employees concerning their responsibilities under the program, including suspicious activity reporting; and
- g. Independent review to monitor and maintain an adequate program.

## **DEFINITION OF MONEY LAUNDERING**

Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activity are transformed into funds with an apparently legal source.

With respect to entities, any involvement, whether it be to instigate, assist, conceal, or ignore the source, nature, location, ownership or control of money laundering activities, can lead to both civil and criminal proceedings against both the individual and the entity involved.

For detailed types of Money laundering transactions, refer AML Regulations, 2008, however Money laundering transactions may include but not limited to:

- a. Advising a potential or existing client on how to structure a transaction to avoid reporting and/or record keeping requirements;
- b. Engaging in any activity while willfully or recklessly disregarding the source of the funds or the nature of the Clients transaction;
- c. Engaging in any activity designed to hide the nature, location, source, ownership or control of proceeds of criminal activity;
- d. Dealing in funds to facilitate criminal activity; or
- e. Dealing in the proceeds of criminal activity.

## **CONTROLS TO PREVENT MONEY LAUNDERING**

Controls to prevent Money Laundering includes;

- a. Establish and record internal controls and policies to ensure continuing compliance with the requirements of Rules & Regulations
- b. establish / enhance record keeping systems for all transactions and the verification of client's' identity
- c. establish internal suspicion reporting procedures
- d. appoint a Money Laundering Reporting Officer (Compliance Officer)
- e. educate and train all staff with the main requirements of the Rules & Regulations

## **AML COMPLIANCE OFFICER**

Employee(s) shall immediately notify the Compliance Officer if he/she suspects or has any reason to suspect that any potentially suspicious activity has occurred or will occur if a transaction is completed. Compliance Officer will judge, and thereby assess which suspicious matter should be reported to the Regulatory Authority i.e. FMU (Financial Monitoring Unit).

**Note:** The obligation to report does not depend on the amount involved or the seriousness of the offence. There are no de Minimis concessions.

Compliance Officer shall ensure:

- a. compliance with applicable Rules and Regulations and this Policy and Procedures on continuous basis;
- b. Receive and review any reports of suspicious activity from Employees;
- c. Determine whether any suspicious activity as reported by an Employee warrants reporting to the senior management and or the Regulatory Authority i.e. FMU (Financial Monitoring Unit);
- d. Conduct Employee training programs for appropriate employees and maintain records evidencing such training;
- e. Responding to both internal and external queries regarding this document.

## **AML TRAINING PROGRAM**

All Employees and in particular relevant employees are expected to be fully aware of the SSPL's AML policies and procedures. All such Employees are required to read and comply with this document.

All Employees are required to undertake training programs on AML policies and procedures as and required by the Compliance officer to enable themselves to get trained and acquainted with AML Rules & Regulations and this document.

## **CLIENT IDENTIFICATION PROCEDURES**

### **6.1. General**

SSPL's AML policies and procedures are intended to ensure that, prior to establishing any relation with the client all reasonable and practical measures are taken to confirm the Clients' identities. Further, SSPL will verify that any third party upon whom the SSPL relies for Client identification, adheres to the same standards.

The Compliance Officer may determine to apply enhanced measures for reasons other than those discussed below. Employees are encouraged to provide the Compliance Officer with any revisions in the KYC they consider appropriate.

Copies of all documents reviewed or checklists completed in connection with the Client Identification Procedures shall be kept in accordance with SSPL's Client Records Retention policies.

### **6.2 Client Identification Procedures for Natural Persons**

satisfactory evidence of an individual Client's name, address, date and place of birth, including the employer's address and the source of the Client's funds shall be ascertained. Copies of NIC/Passport or other official government-issued identification shall be obtained and retained for

SSPL's records. Further, the compliance officer may request any additional information to authenticate the client's identity such as Bank statement/utility bill.

### **6.3 Client Identification Procedures for Corporations, Partnerships, Trusts and Other Legal Entities**

SSPL shall take reasonable steps to ascertain satisfactory evidence of an entity constituent documents and its authority to make the contemplated investment. These may include:

- a. Board resolution authorizing the Directors/Principals authority to act;
- b. Articles of Memorandum and Articles of Association;
- c. Certificate of Incorporation;
- d. List of Directors/Principals;
- e. Authorized signatory list;
- f. Publicly available information from law enforcement agencies or regulatory authorities; and/or
- g. Client's annual report and/or, if appropriate, Client's bank references.

### **6.4 High-Risk Clients**

The Compliance Officer shall adopt enhanced due diligence procedures compared to the routine Client Identification Procedures.

Following are the examples of Clients who pose a high money laundering risk:

- a- Any Client who gives the Compliance Officer any reason to believe that
  - I. its funds originate from, or are routed through, an account maintained at an "offshore bank", or a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction; and
  - II. The source of its funds may not be legitimate or may aid terrorist activities.
- b- A Senior Foreign Political Figure, any member of a Senior Foreign Political Figure's Immediate Family, and any Close Associate of a Senior Foreign Political Figure;
- c- Any Client resident in, or organized or chartered under the laws of, a Non-Cooperative Jurisdiction;

**Note:** Non-Cooperative Jurisdiction means any foreign country that has been designated as non-cooperative with international AML principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering ("FATF")

### **Enhanced Client Identification Procedures for 'High-Risk' Natural Persons**

Enhanced Client Identification Procedures for 'high risk' natural persons as Clients include, but are not limited to, the following:

- a. Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- b. Considering the source of the Client's wealth, including the economic activities that generated the Client's wealth, and the source of the particular funds intended to be used to make the investment;

- c. Reviewing generally available public information, such as media reports, to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of AML laws or regulations or any investigation, indictment, conviction or civil enforcement action relating to financing of terrorists;
- d. Conducting a face-to-face meeting with the Client to discuss/confirm the account opening documents.

### **Enhanced Client Identification Procedures for 'High-Risk' Corporations, Partnerships, Trusts and Other Legal Entities**

Enhanced Client Identification Procedures for 'high risk' corporations, partnerships and other legal entities include, but are not limited to, the following:

- a- Assessing the Client's business reputation through review of financial or professional references, generally available media reports or by other means;
- b- Reviewing recent changes in the ownership or senior management of the Client;
- c- Conducting a visit to the Client's place of business and conducting a face- to-face meeting with the Client to discuss/confirm the account application, the purpose of the account and the source of assets;
- d- Reviewing generally available public information to determine whether the Client has been the subject of any criminal or civil enforcement action based on violations of AML laws or regulations or any criminal investigation, indictment, conviction or civil enforcement action relating to financing of terrorists.

## **REPORTING PROCEDURES**

General reporting procedures includes;

- a- Anyone in the organization, to whom information comes in the course of the relevant business as a result of which he suspects that a person is engaged in money laundering, must disclose it to the Compliance Officer
- b- a disclosure which is made to the Compliance Officer, the officer must consider it in the light of any relevant information which is available to SSPL and determine whether it gives rise to suspicion, and
- c- Where the Compliance Officer does so determine in consultation with the Senior Management, the information must be disclosed to the Regulatory Authority report the same to FMU-Financial Monitoring Unit) any suspicious activity of which he becomes aware within 7 working days of knowing the suspicious activity.

### **Other Offences – Failure to Report Offences**

- a- Failure by an employee to inform SSPL's Compliance Officer, as soon as practicable, of knowledge or suspicion (or reasonable grounds for knowing or suspecting) that another person is engaged in money laundering

- b- Failure by Compliance Officers to make the required report to Regulatory Authority as soon as practicable, if an internal report leads them to know or suspect that a person is engaged in money laundering.

### **De Minimis concessions**

Note that the obligation to report does not depend on the amount involved or the seriousness of the offence. There are no de Minimis concessions.

## **RECORDS RETENTION**

Copies of all documents related to SSPL's Client Identification Procedures shall be retained for so long as a Client is a client of SSPL and for a minimum of five years after this relationship ends.

The documents SSPL retains shall include;

- a. copies of documents reviewed in connection with Client Identification Procedures or
- b. enhanced due diligence procedures,
- c. Client identification checklists, if any, or similar due diligence documentation,
- d. Copies of the correspondence exchanged with the client and
- e. Any other documents required to be retained by applicable rules and regulations.

## **DETECTION OF SUSPICIOUS ACTIVITY**

The Compliance Officer shall periodically review SSPL's existing Client list, and ensure the adequacy of its due diligence performed on existing Clients.

In addition, SSPL's policies, procedures and controls may provide for the detection of suspicious activity, and if detected may require further review to determine whether the activity is suspicious, as described below.

For example, in some circumstances (For detailed types of Money laundering transactions, refer AML Regulations, 2008), the following activities, none of which per se constitutes suspicious activity, may be indicative of activity that may require further investigation. any Employee who detects suspicious activity or has reason to believe that suspicious activity is taking place shall immediately inform his/her immediate supervisor as well as the Compliance Officer.

- a- Client exhibits an unusual concern regarding SSPL's compliance, particularly with respect to the Client's identity, or the Client is reluctant or refuses to reveal any information concerning business activities;



- b- Client attempts to make or requests transactions in cash or cash equivalents. Client (or a person publicly associated with the Client) is the subject of news reports indicating possible criminal, civil or regulatory violations;
- c- Client appears to be acting as the agent for another entity but declines, or is reluctant, without legitimate commercial reasons, to provide any information in response to questions about such entity;
- d- Client has difficulty describing the nature of his or her business or lacks general knowledge of the industry he or she is apparently engaged in;
- e- Client wishes to engage in investments that are inconsistent with the Client's apparent investment strategy;
- f- Client engages in unusual or frequent wire transfers (taking into account the differences between Clients and Intermediaries as appropriate), particularly to unfamiliar bank accounts;
- g- Client attempts, with unusual frequency (taking into account the differences between Clients and Intermediaries as appropriate), to make investments, redemptions/withdrawals, or transfers;
- h- Client transfers funds to jurisdictions other than its home jurisdiction.

As per the regulatory requirement, under no circumstances may an Employee discuss the suspicious activity, or the fact that it has been referred to the Compliance Officer, with the concerned Client.

#### ***REGULAR REVIEW OF THE POLICY***

A regular review of this policy should be undertaken to ensure that its adequacy to adhere to the requirements of applicable rules and regulations and that it is functioning as designed.