

RESOLUTION OF THE BOARD OF DIRECTORS

We hereby certify that the following resolution of the Board of Directors of R.T. **Securities (Pvt.) Ltd**, Karachi, was passed in a meeting held at the registered office of the Company, Karachi on Thursday of July 28, 2022 the following resolution was duly passed:

“Resolved that the Policy of KYC and CDD is reviewed and revised as per the guidelines given by the Pakistan Stock Exchange Limited (PSX) under the rules of Securities and Exchange Commission of Pakistan (SECP) and the same has been approved.”

Ahmed

Chief Executive Officer

Date: July 28, 2022



R.T. SECURITIES (PRIVATE) LIMITED

KYC and CDD Policy for RT Securities (Private) Limited

1. Purpose:

The purpose of this KYC (Know Your Customer) and CDD (Customer Due Diligence) Policy is to establish a robust framework for the identification, verification, and ongoing monitoring of customers to prevent and mitigate the risk of money laundering, terrorist financing, and other illegal activities. RT Securities (Private) Limited ("RT Securities") is committed to complying with all applicable laws and regulations in Pakistan.

2. Scope:

This Policy applies to all employees, agents, and representatives of RT Securities engaged in customer interactions, including onboarding, transaction monitoring, and reporting suspicious activities.

3. Definitions:

- KYC (Know Your Customer): A process to verify the identity of customers and assess their suitability and risks.
- CDD (Customer Due Diligence): The process of collecting and evaluating customer information to ascertain the risk level associated with customers and their transactions.
- EDD (Enhanced Due Diligence): Additional scrutiny applied to high-risk customers to mitigate risks associated with their transactions.
- PEP (Politically Exposed Person): Individuals who hold prominent public positions or roles and may present a higher risk for potential involvement in bribery or corruption.
- ML (Money Laundering): Any act that results in the concealment of illegally obtained funds.
- TF (Terrorist Financing): Activities that provide financial support to terrorism.

4. Legal Framework:

RT Securities shall adhere to the following legal frameworks and guidelines and this Policy has been specifically made to ensure compliance with the following laws/regulation and all other applicable legal frameworks and guidelines:

- Anti-Money Laundering Act, 2010.
- Securities Act, 2015.
- Regulations of the Pakistan Stock Exchange (PSX).
- Guidelines issued by the Financial Monitoring Unit (FMU).
- Any other applicable laws and regulations in Pakistan.

5. Customer Identification and Verification:

RT Securities shall implement the following procedures for customer identification and verification, while complying with all the applicable laws/regulations:

5.1. Individual Customers:

- Collect full name, date of birth, nationality, and residential address.
- Obtain government-issued identification (e.g., CNIC, passport) to verify identity.
- Conduct background checks to validate customer information.
- Utilize electronic verification methods where possible, to validate identity), other verification methods may also be adopted, as required and available under the prevailing laws/regulations

5.2. Corporate Customers:

- Collect the company name, registration number, and tax identification number.
- Obtain copies of the Memorandum and Articles of Association.
- Identify and verify the beneficial owners of the corporate entity.
- Ensure that the corporate entity is registered and in good standing with the relevant authorities.
- Verify the identity of individuals acting on behalf of the corporate entity (e.g., directors, authorized signatories).

5.3. Enhanced Due Diligence (EDD):

For high-risk customers, RT Securities will implement enhanced due diligence measures, including but not limited to:

- Obtaining additional documentation to verify the source of wealth and funds.
- Conducting more frequent and detailed transaction monitoring.
- Establishing the purpose and intended nature of the business relationship.
- Obtaining senior management approval before establishing a relationship with a high-risk customer.
- Reviewing public records, media, and other sources for information regarding high-risk individuals and entities.

6. Customer Acceptance:

RT Securities shall not open or maintain an account and/or business relationship with the following entities or individuals:

- Anonymous Accounts: Accounts without verifiable identification.
- Fictitious Persons: Accounts registered in the name of non-existent or fictitious individuals.
- Blacklisted Entities: Accounts held by individuals or entities that are blacklisted by a regulatory body.
- Unregistered Money Changers: Accounts associated with unregistered money changing businesses.

- Shell Banks: Accounts linked to institutions that lack a physical presence and are not regulated.
- Foreign Politically Exposed Persons (PEPs): Accounts associated with foreign PEPs without adequate risk mitigation measures.
- Sanctioned Entities/Individuals: Accounts related to sanctioned entities or individuals, including those designated as Specially Designated Nationals (SDNs).
- Government Accounts: Accounts in the personal names of government officials shall only be opened upon the production of a special resolution or authority from the relevant administrative department, duly endorsed by the Ministry of Finance or the appropriate Finance Department of the concerned government.
- Doubtful Identity: Accounts where the identity of the individual or entity cannot be verified or is questionable.
- High Net Worth Customers: Accounts for high net worth individuals without a clearly identifiable source of income.
- Suspicion of Scams: Accounts where the compliance officer has strong reasons to believe that the account may be used for scams or fraudulent activities.
- Non-Profit Organizations (NPOs)/Non-Governmental Organizations (NGOs): Accounts that do not align with the title as per their constituent documents.
- Money Laundering Risks: Accounts or business relationships that may expose RT Securities to money laundering risks or reputational damage.
- Terrorist or Criminal Organizations: Business relationships with individuals or entities known or expected to be associated with terrorist or criminal organizations, or those that support or finance such organizations.
- Residents of Prohibited Countries: Accounts for residents of countries prohibited by group directives, including but not limited to Afghanistan, Belarus, Cuba, Eritrea, Iran, North Korea, Israel and Syria.

7. Risk Assessment of Customers:

Customers will be classified into low, medium, or high-risk profiles. This risk assessment will be based on information collected at the time of account opening and will be updated based on ongoing interactions and business activities with the customer. Factors considered will include customer identity, source of funds, nature of income, and geographical location. RT Securities will take appropriate steps to identify, assess, and understand its money laundering and terrorism financing risks, taking into account:

- The customers.
- Jurisdictions where customers are located.
- The products, services, transactions, and delivery channels used by RT Securities.

The steps mentioned above will include:

- Documenting the risk assessment.
- Evaluating all relevant risk factors prior to determining overall risk levels and appropriate mitigation strategies.
- Keeping the risk assessment current.

- Categorizing overall entity-level risk as high, medium, or low based on the risk assessment results.
- Ensuring appropriate mechanisms are in place to provide risk assessment information to the Commission.

For customers classified as high risk (Enhanced Due Diligence or EDD), the following factors will be considered:

- Non-resident customers.
- Legal persons or arrangements, including NGOs, NPOs, and trusts/charities.
- Customers engaged in cash-intensive businesses.
- Customers linked to offshore tax havens.
- Customers who have been denied brokerage services by other firms.
- Non-face-to-face or online customers.
- Business relationships with parties from jurisdictions that do not sufficiently apply FATF recommendations.
- Politically Exposed Persons (PEPs) or individuals holding public or high-profile positions.
- Accounts associated with exchange companies or exchange members.

8. Risk Mitigation and Applying a Risk-Based Approach:

Before determining the overall risk level and appropriate mitigation measures, RT Securities will consider all relevant factors, including products and services offered, delivery channels, types of customers, and the jurisdictions in which it or its customers operate. The senior management will ensure that robust systems and processes are in place to identify, assess, monitor, manage, and mitigate money laundering and terrorism financing risks. Enhanced measures will be implemented for higher-risk scenarios, while simplified measures may be applied where risks are lower. In cases of suspicious transactions, simplified measures will not be acceptable. For exceptionally high-risk situations that exceed RT Securities' risk tolerance, the company may opt to terminate the relationship.

9. Ongoing Monitoring:

RT Securities shall continuously monitor customer transactions to identify and report suspicious activities. This includes but is not limited to:

- Regularly reviewing transactions for unusual patterns or amounts.
- Conducting periodic reviews of customer information to ensure it remains accurate and up to date.
- Implementing transaction limits based on the risk profile of the customer.
- Utilizing automated systems for monitoring transactions to identify suspicious activities in real time.

10. Politically Exposed Persons (PEPs):

Politically Exposed Persons (PEPs) are classified as high-risk individuals due to their prominent positions in society. This category generally includes but is not limited:

- Senior politicians
- High-ranking government officials

- Judicial or military leaders
- Senior executives of state-owned enterprises
- Family members and close associates of the aforementioned individuals

Given their potential for reputational risk and conflict of interest, RT Securities exercises heightened scrutiny when opening brokerage accounts for PEPs and actively monitors their account activities. This definition excludes middle-ranking or junior officials in the aforementioned categories. In regard to PEPs, RT Securities will implement the following measures in addition to standard due diligence:

- Risk Management Systems: Establish appropriate systems to identify and evaluate whether a customer qualifies as a politically exposed person.
- Senior Management Approval: Obtain approval from senior management before establishing any business relationships with PEPs.
- Source of Wealth and Funds: Implement reasonable measures to ascertain the source of wealth and funds associated with the PEP.
- Enhanced Ongoing Monitoring: Conduct heightened monitoring of transactions and activities related to the PEP.

When assessing the risks of money laundering (ML) and terrorist financing (TF) associated with PEPs, RT Securities shall consider factors such as:

- The individual's residency in a high-risk country.
- Their prominent public functions in sectors known for corruption.
- Business interests that could lead to conflicts of interest due to their position.

11. Sanction and Blacklist Filtration:

RT Securities will conduct screening of all customers against relevant sanctions lists and blacklists. This includes but is not limited:

- Screening against lists issued by the United Nations, OFAC, and other relevant authorities.
- Ensuring that no customer is engaged in prohibited activities or associated with designated individuals or entities.
- Regular updates to the sanction lists and ensuring employees are aware of new regulations and changes.

12. Reporting Suspicious Transactions:

RT Securities shall establish procedures for reporting suspicious transactions to the Financial Monitoring Unit (FMU), including but not limited to:

- Employees must be trained to recognize signs of suspicious activities.
- Immediate reporting of any suspicion regarding money laundering or terrorist financing activities.
- Maintaining confidentiality regarding the reporting of suspicious transactions.
- Implementing a system for documenting and tracking reports made to the FMU.

13. Circumstances Requiring Enhanced Due Diligence (EDD):

Once a customer is classified as high risk, RT Securities will conduct Enhanced Due Diligence (EDD). The activities and transactions of high-risk customers will be closely monitored. For high-risk customers, including PEPs, the CEO and compliance head must approve the opening of any brokerage account. It is essential to ascertain the source of wealth and funds being invested. If an existing customer be classified as high risk, the guidelines regarding monitoring and reporting suspicious transactions, as well as obtaining senior management approval for continued business relations, will apply.

14. Ongoing Due Diligence:

14.1. Customer Due Diligence (CDD): is an ongoing process, not merely a one-time task completed during account opening. To prevent misuse of RT Securities' services for criminal activities, the compliance officer will continually monitor customer transactions to ensure alignment with the defined customer profile, risk category, historical transaction patterns, and source of funds. For instance, if a domestic individual customer initiates a transaction significantly deviating from their historical transaction size, the compliance officer must investigate and confirm that no suspicious activities have occurred and that the transaction aligns with the customer profile. Similarly, if a regular domestic customer suddenly presents foreign, unidentified sources of funds, this will necessitate further investigation. RT Securities will keep customer records current. High-risk accounts will be reviewed at least annually to ensure all customer information is up to date; other accounts will be reviewed if suspicious activity is detected or at a minimum of every three years.

14.2. Ongoing Monitoring: CDD is a continuous process. After identification procedures are completed and a business relationship is established, RT Securities will conduct monitoring to ensure consistency with the nature of the business as stated at account opening. This includes scrutinizing all transactions throughout the duration of the relationship.

15. Circumstances Allowing Simplified Due Diligence (SDD):

RT Securities may apply simplified or reduced CDD measures in the following circumstances:

- When the risk of money laundering or terrorist financing is assessed as low.
- When information regarding the customer's identity and the beneficial owner is publicly accessible.
- When adequate checks and controls are in place.

Eligible customers for simplified or reduced CDD may include:

- Financial institutions complying with anti-money laundering and terrorist financing regulations in line with FATF recommendations.
- Public companies subject to regulatory disclosure requirements.
- Government agencies or enterprises.

However, simplified CDD should not be employed when identified risks of money laundering or terrorist financing exist.

16. Compliance Function:

The compliance function at RT Securities will have the following responsibilities:

- The Compliance Officer shall oversee the implementation of this Policy.
- Conduct regular audits and reviews to ensure adherence to KYC and CDD Policy.
- Provide ongoing training to employees regarding KYC and AML regulations.
- Ensure timely reporting to the Board of Directors regarding compliance matters.
- Liaise with regulatory authorities as necessary and ensure RT Securities remains compliant with all regulations.

17. Employee Training and Awareness:

RT Securities shall implement a training program for employees that includes:

- An overview of KYC, CDD, and AML regulations.
- Procedures for identifying and reporting suspicious activities.
- Regular updates on changes in legislation and internal policies.
- Role-specific training for employees who handle high-risk customers or transactions.

18. Record Keeping:

RT Securities shall maintain comprehensive records of all customer identification and verification documentation, transaction history, and reports of suspicious activities for a period as prescribed in the applicable laws/regulations, till the end of the customer relationship. Records will include but are not limited to:


- Copies of identification documents.
- Details of transactions conducted by customers.
- Records of all risk assessments conducted.
- Records of any reported suspicious activities and actions taken.

19. Policy Review:

This KYC and CDD Policy shall be reviewed as required to ensure its effectiveness and compliance with any changes in laws or regulations. Any amendments to this Policy must be approved by the Board of Directors.

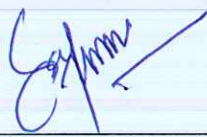
This KYC and CDD Policy provides a robust framework for RT Securities to comply with legal requirements, protect against risks, and maintain the integrity of the financial system. The Policy establishes clear guidelines for identifying, verifying, and monitoring customers while ensuring that employees are equipped with the knowledge and resources needed to carry out these responsibilities effectively.

Signed on this day of July 28, 2022 as approval of the Board by resolution.



Chief Executive Officer





Director / Company Secretary