



**KNOW YOUR CUSTOMER/ ANTI MONEY LAUNDERING & COUNTERING
TERRORISM FINANCING/PROLIFERATION OF WEAPONS OF MASS
DESTRUCTION POLICY**

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Revision History

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1. Introduction

Know Your Customer (KYC) /Anti Money Laundering (AML) & Countering Terrorism Financing (CTF)/ Proliferation of Weapons of Mass Destruction (CPF) Policy (hereinafter referred to as “the Policy’ or “KYC & AML Policy”) of UBL Fund Managers Limited (“UBL FUNDS” or the “Company” and also include Funds, Plans, discretionary portfolios and VPS under its management) ensure that the Company’s business is in conformity with regulatory requirements. The policy statements outlined in this Policy lay down the minimum requirements of KYC & AML as applicable on UBL FUNDS. The procedural requirements against the implementation of KYC & AML Policy are covered in detail in the KYC & AML Manual/ Standard Operating Procedure (SOP).

2. Objective

The objective is to have in place adequate policy to enable UBL FUNDS to effectively manage and mitigate the risks that are identified and to help and prevent UBL FUNDS from being used, intentionally or unintentionally for money laundering and/or Terrorism or Proliferations Financing. Effective KYC and AML measures would enable the UBL FUNDS to know/ understand its customers, the beneficial owners and can also help prevent or detect money laundering and terrorism/proliferating financing activities.

3. Scope:

The Policy is adopted by UBL FUNDS under Regulation 9 of Non-Banking Finance Companies and Notified Entities Regulations, 2008. In addition to this, the Policy also summarily covers the provisions of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (“the SECP AML/CFT Regulations” or “AML Regulations 2020” or “Regulations”) issued by SECP. The Policy is always subject to the change in Laws and Regulations prevailing in Pakistan, Further, in case of any conflict between the Laws and Regulations and the Policy, the Laws and Regulations shall prevail.

The words and expressions used in this Policy but not defined shall have the same meaning as assigned to them under the SECP AML/CFT Regulations.

4. Definitions:

“*Money laundering (ML)*” is the process by which persons with criminal intent or persons involved in criminal activity attempt to hide the true origin and ownership of the proceeds of their criminal activities.

“*Terrorism Financing (TF)*” means financing of terrorist acts, and of terrorists and terrorist organizations.

“*Proliferation Financing (PF)*” denotes circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities relating to sanctioned regimes including DPRK and Iran.

“*beneficial owner*” in relation to a customer means the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted and includes the person who exercise ultimate effective control over a person or a legal arrangement.

KYC & AML Standards

Through the KYC & AML Policy, UBL FUNDS stands committed to following standards:

5. Risk Assessment:

Identify, assess and understand its money laundering (AML), terrorism financing (CFT) and proliferation of weapons of mass destruction (CPF) risks in relation to:

- a) Its customers;
 - b) The jurisdictions or countries are from or in;
 - c) The jurisdictions or countries the regulated person has operation or dealings in;
 - d) Delivery Channel used; and
 - e) The products, services, transactions and delivery channels.
- All relationships with the customer would be categorized as High, Standard, Low (or any other name called) with respect to their risk level based upon the risk assessment of UBL Funds.

Normal Customer Due Diligence (CDD) process would be used for accounts categorized as Standard or Medium while Simplified Due Diligence (SDD) would be carried out for Low Risk whereas Enhanced Due Diligence (EDD) process would be followed for accounts categorized as High Risk. Customer Information / Profile may change over time, therefore, due diligence is an ongoing process and risk profile will be updated on need basis or after set frequency as set by UBL Funds.

6. Customer Acceptance/ Due Diligence:

Accept only those clients whose identity is established by conducting due diligence and update/obtain appropriate customer identification information when there is doubt about the veracity or adequacy of existing customer.

- Where the investor is a new client, account must be opened only after ensuring that pre account opening KYC documentation and procedures are conducted. In this regard UBL FUNDS will follow the regulatory requirements as mentioned in the SECP AML/CFT Regulations and KYC & AML Policy & SOP.
- Where the investor is an existing client and KYC documentation is not updated. UBL FUNDS will follow the regulatory requirements as defined by the Commission in AML/CFT Regulations, Circular or in different correspondence.
- Format of the Account Opening form and transaction form and/or KYC/Need Assessment Form may be modified appropriately from time to time by the UBL FUNDS to achieve this objective.
- Business Relationship and/or Investments would not be accepted from the Individuals and/or Entities or from Countries mentioned in the Sanctions List, as provided in AML Regulations, and subject to restriction. Further, any other restriction imposed by competent authority from time to time shall also be considered.
- UBL Funds shall apply Customer Due Diligence (CDD) requirement to its existing customers on the basis of materiality and risk and will conduct due diligence on existing relations on appropriate times as per agreed parameters.
- Except for foreign investor, the name screening of all the investors is conducted during or after the account is opened. There may arise a situation of utilization of business relationship before verification of name screening control. In case of any matching with proscribed or designated database, UBL Funds

shall take the appropriate steps including freezing of funds, filing of STR, reporting to Commission or any other competent government authority.

- UBL Funds shall complete verification through modes as approved by the regulator of a customer or beneficial owner's identity after the establishment of the business relationship, provided that:
 - this occurs as soon as reasonably practicable;
 - this is essential not to interrupt the normal conduct of business; and
 - the ML/TF risks of UBL Funds are low.

7. Beneficial Ownership of Legal Persons & Arrangements:

For customer that is a legal person understand the nature of customer's business and its ownership and control structure and identify and verify the identity of the natural persons who owns or ultimately has controlling ownership interest in the legal person along with measures as required under SECP AML/CFT Regulations. Extra care would be taken where the customer is acting on behalf of another person, and should then take reasonable steps to obtain sufficient identification data to verify the identity of that other person.

8. Screening from Sanctioned Lists:

Ensure that its customers do not belong to proscribed or designated lists specially UNSC and NACTA/Anti-Terrorism Lists, the SROs and notifications issued by MoFA, NACTA (Mol) and any other list approved by the AML Committee including internal list. Further;

- Whenever a proscribed entity/ individual is communicated by SECP or NAB or any other competent authority, the entire customer account database is checked for any negative findings;
- The entire customer account database is screened on periodic basis to ensure that the existing customers do not fall under such negative lists;

For True matches, UBL FUNDS shall take immediate action as per law, including freezing the funds (debit block) of such proscribed or designated entity/individual and/or reporting to Commission if found appropriate. Any potential match will be closed as per the approved SOP.

9. Prohibited Accounts

Following accounts will not be opened / maintained:

- anonymous / fictitious (Benami) accounts;
- where identity, beneficial ownership, or information on purpose and intended nature of business relationship are not clear;
- Government accounts in the personal names of the government official(s);
- Persons and Entities whose name appearing in the Sanctioned Lists. Business/services related to gambling (including via internet) or where the nature/purpose of relationship is illegal.

10. Enhanced Due Diligence:

Enhanced Due Diligence (EDD) as per the AML Regulations 2020 will be performed for High Risk accounts including but not limited to PEP, NGO, NPO, Trusts with donations income (other than employee's contributory funds) and other types approved by the AML Committee. Senior Management approval will be obtained for all High Risk Account. UBL Funds will implement appropriate internal risk management

systems, policies, procedures and controls to determine if any customer presents high risk of ML/TF. UBL Funds can classify certain customers for pre-clearance before opening of their account.

11. Ongoing Monitoring:

Have in place appropriate mechanism/systems to monitor business relations with customers on decided/agreed parameters on an ongoing basis to ensure that the transactions are consistent with the customer risk profile, its business and source of funds (where appropriate).

Compliance of KYC & AML should work in a 'Decentralized Approach' where all relevant departments i.e. Sales, Operations, Compliance and Internal Audit etc. are responsible to carry out the processes in accordance with the regulatory framework and are responsible for sharing risk, threat or non-compliance of law or policy. This also includes enhanced monitoring of accounts flagged during the course of business relation with the customers as per the criteria defined by the AML Committee for Transaction monitoring.

Validation of Existing Accounts:

Validation is an ongoing process, in case of any change in the investment threshold or at maximum the accounts will be reviewed as per the following frequency:

Risk Rating	Frequency of Review at maximum
High Risk	One (1) year
Medium or Standard Risk	Three (3) year
Low Risk	Five (5) year

12. Dormant and In Active Accounts

For customers whose accounts are dormant and/or in-active, UBL Funds will credit and debit block and the status will only update once updated KYC information, documentation and Verification is shared.

13. Risk Based Approach

To protect from risks arising out of AML/CFT/CFP UBL FUNDS will adopt a Risk Based Approach i.e. carrying out assessment of AML/CFT/CFP risks and apply relevant risk based approach to mitigate those risks. The level of risks that the UBL FUNDS is exposed to may include:

- Type of the customer including geography of the customers
- Type of product (Funds) / service (SMA) / delivery channels offered to the customer
- Country where the Customer is domiciled
- Countries in which UBL Funds has operations

Based on the above definition and criteria, risk may be classified into three levels i.e. High, Medium and low risk respectively.

14. KYC & AML and Lines of Defense

- First line of defense will be the business units (e.g. sales agents). They should know and carry out the AML/ CFT due diligence related policies and procedures and be allotted sufficient resources to do this effectively.

- Second line of defense will be the Compliance function and human resources/ technology.
- Third line of defense will be the internal audit function.

15. Reliance on Third Parties

UBL FUNDS may rely on a third party to conduct CDD of customers (as per the parameters mentioned in KYC & AML manual). In this arrangement, UBL Funds shall:

- obtain immediately, the necessary information of the customer, identification of the beneficial owner and/or the nature of business of the customer;
- take steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay
- satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with, CDD and record keeping requirements in line with these regulations; and
- maintain data/ information confidentiality and non-disclosure agreement with the third party

Notwithstanding the reliance upon a third party, UBL Funds shall ultimately remain responsible for its KYC & AML obligations including generating Suspicious Transaction Report (STRs) and shall carry out ongoing monitoring of such customer itself.

16. Reporting of Suspicious Transactions (STRs)

UBL FUNDS shall report transactions and/or business relationship which are identified as suspicious after investigation. This may include; the transaction which does not support the risk profile or do not commensurate with the level of income of a customer, where CDD is not satisfactorily completed etc. All units and employees must report to Compliance Department of any activity or transaction where there is knowledge or suspicion, or where there are reasonable grounds for knowing or suspecting that the Customer is engaged in money laundering or terrorist financing activities. This should be reported immediately when the grounds of knowledge or suspicion arises. These transactions will be properly investigated and be considered for possible reporting to Financial Monitoring Unit after the confirmation/finalization of the suspicion. Further, the employees involved in investigation or reporting shall take adequate measures to not to disclose the fact to the customer or any other quarter.

17. Employee Due Diligence and Training & Awareness

- UBL Funds shall develop and implement a comprehensive employee due diligence policy and procedure to be implemented/ carried out at the time of hiring all employees permanent, contractual, or through outsourcing. This shall include but not limited to verification of antecedents and screening procedures to verify that person being inducted/ hired has a clean history.
- UBL Funds shall chalk out and implement suitable training program for relevant employees on periodic basis, in order to effectively implement the regulatory requirements and UBL Funds' own policies.

18. Record Keeping

- UBL Funds shall keep records regarding the identification data obtained through the due diligence process (e.g. copies or records of official identification of documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence and any STRs or CTRs for at least ten (10) years after the business relationship is ended. Retention of records may be required for longer period where transactions, customers or accounts involve in litigation or it is required by court or other competent authority.

- UBL Funds shall maintain all necessary records on transactions, both domestic and international, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex, unusual large transactions) for a minimum period of ten years from completion of the transaction.

19. Penal Actions

(a) Under the SECP AML/CFT Regulations

- (1) Any person who contravenes or fail to comply with any provision of the regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanction provided in the AML/CFT Sanctions Rules, 2020 and imposed by the Commission according to Clause (h) of Sub-section (2) of Section 6A of AML Act.

Liability on Failure to file STR and tipping off Obligations under AML Act, 2010 [section 33 & 34 of AML Act, 2010]

Section 33 of AML ACT 2010: Liability for failure to file Suspicious Transaction Report and for providing false information.—

(1) Whoever willfully fails to comply with the suspicious transaction reporting requirement as provided in section 7 of the AML Act or give false information shall be liable for imprisonment for a term which may extend to five years or with fine which may extend to one hundred thousand rupees or both.

(2) In the case of the conviction of a reporting entity, the concerned regulatory authority may also revoke its license or registration or take such other administrative action, as it may deem appropriate.

Section 34 of AML ACT 2010: Disclosure of information.—

(1) The directors, officers, employees and agents of any reporting entity, financial institution, non-financial business or profession or intermediary which report a suspicious transaction pursuant to this law or any other authority, are prohibited from disclosing, directly or indirectly, any person involved in the transaction that the transaction has been reported.

20. Review of the Policy

In order to keep the policy in line with significant changes and to respond to developments in laws and practice, the same will be reviewed and updated, as and when deemed necessary, but not later than three (3) years. As mentioned above that relevant department would be responsible for the related compliances of AML Regulations, however, the responsibility for maintenance and updating of this document resides with the Compliance Department.

21. Non Compliance of the Policy

Non compliances of the Policy identified shall be dealt by correcting the anomaly, seeking requisite additional information for verification purposes if possible to address the non-compliance.