

HABIB UNIVERSITY FOUNDATION

**ANTI MONEY LAUNDERING (AML)/
COUNTERING THE FINANCING OF
TERRORISM (CFT) POLICY**

Table of Contents

1. Introduction	3
2. Objectives	3
3. What are Money Laundering and Terrorist Financing?	3
4. Know your Donor	4
5. Know your Beneficiaries.....	4
6. Know your Employees	5
7. Due Diligence	5
8. Enhanced Due Diligence.....	5
9. On-going Due Diligence.....	6
10. Record Keeping.....	6
11. Compliance Officer	6
12. Reporting Procedure.....	7
13. Training.....	7
14. Detailed Procedures	7
15. Policy Approval Authority	7

1. Introduction

The Securities and Exchange Commission of Pakistan (SECP) has issued guidelines for non-profit organizations (NPOs) considering their inherent risk of being used for money laundering and terrorist financing, based on recommendations set out by the Financial Action Task Force (FATF) and resolutions of United Nations Security Council (UNSC). This Policy (the 'Policy') has been produced in line with the SECP guidelines.

2. Objectives

Habib University Foundation (the 'Foundation') is committed to comply with the guidelines and regulations issued by SECP designed to prohibit and prevent actual and/or potential use of the Foundation for money laundering, as well as any activities that facilitate money laundering and the funding of terrorist and/or other criminal activities by ensuring that:

- All anti money laundering rules and regulations are complied with
- Accurate risk assessment is undertaken on donors and beneficiaries
- The identification of all donors and beneficiaries is verified
- All data is retained and continually monitored
- A compliance officer is appointed to ensure that the policy is adhered to
- All suspicious activities are reported to the compliance officer
- Training on the procedures and regulations is provided to all employees

3. What are Money Laundering and Terrorist Financing?

Money laundering is the process by which illegally obtained criminal funds are placed into legitimate financial systems in order to conceal their illicit source.

Terrorist financing is the facilitation of funds to directly or indirectly assist in terrorist activities.

While money laundering and terrorist financing are different processes, the method used to launder money is similar to that used to conceal the sources of terrorist

financing. Donations given to NPOs are at a particularly high risk of being laundered money or used to support terrorist activities. Therefore, it is important to have strict policies in place to combat any unlawful use of NPOs and protect their goodwill.

4. Know your Donor

It is important for the Foundation to take reasonable steps to know where their donations are coming from, particularly when there are significant sums involved. It must ensure that a donor is not placed on the United Nations' list of persons linked to terrorist financing or anyone against whom there is a ban, sanction or embargo. In order to do this, proper risk assessment and due diligence should be conducted. This will help to:

- Avoid any potentially risky donations
- Ensure that it is appropriate for the Foundation to accept money from that particular donor
- Assure that a donation is not from any illegal or inappropriate source
- Ensure that any conditions that may be attached to a donation are appropriate and can be accepted.

As a rule, all donations should be received through normal banking channels, except for one-off cash donations below Rs. 20,000.

5. Know your Beneficiaries

The identification and selection of beneficiaries is also an important decision for NPOs. Although the Foundation provides scholarship and financial assistance to the students of Habib University (HU), no funds are provided to the students (the 'Beneficiaries') themselves as all payments are made directly to HU. Nonetheless, the Foundation must still obtain certain basic information from its Beneficiaries and maintain a record of all their personal details. This is to:

- Ensure that they meet the criteria to benefit from the Foundations assistance

- Ensure that where the risk is high, appropriate checks are carried out to confirm that it is appropriate to provide assistance.

6. Know your Employees

An NPO is vulnerable to misuse from within through use of its assets or communication network. It is therefore important for the Foundation to maintain record of particulars of its employees including but not limited to their permanent and present address, copy of NIC, passport number, nationality/other nationalities, personal email ID, NTN, landline and mobile phone numbers, past experience etc.

7. Due Diligence

In order to know your donor and beneficiary, it is essential to carry out appropriate due diligence methods. These include:

- Identifying the individual or organization being dealt with (this includes: Full name, Residential address, Date of birth, Passport and/or National Identification Card details)
- Verifying the identities of the individual or organization, especially if there is any potential of risk
- Knowing what the individual or organization's business is and assure that it is appropriate for the Foundation to be involved with
- Monitoring any unusual or suspicious activity

A risk assessment will be conducted on all donors and beneficiaries on the basis of the information gathered from the due diligence process.

8. Enhanced Due Diligence

Where a donor or beneficiary has been classified as high risk or is a politically exposed person, it is necessary to implement enhanced due diligence measures, which include but not limited to:

- Obtaining approval from the Chief Executive Officer (CEO) before accepting

a donation or providing assistance to a Beneficiary

- Establishing a source of the wealth/funds
- Enhanced monitoring

9. On-going Due Diligence

On-going monitoring and risk assessment will be conducted on all donors and beneficiaries, particularly those in the high-risk category. This will ensure that their information is up to date; that there are no material changes in their risk category, and that any transactions made are consistent with the person.

10. Record Keeping

Copies of all documents related to the identification, verification and due diligence procedures of beneficiaries and donors will be retained for an appropriate period of time and updated as required.

All records will be retained for ten years.

11. Compliance Officer

A compliance officer will be appointed to:

- Highlight the risk of money laundering and terrorist financing.
- Supervise the regulatory requirements for proper administration and governance of the Foundation.
- Conduct a thorough assessment of risks and vulnerabilities of the sector in relation to money laundering and terrorist financing abuse.
- Conduct training programs for appropriate personnel related to the anti-money laundering policy and procedures and maintaining records evidencing such training.
- Intervene where necessary to ensure that the Foundation performs its legal duties and responsibilities.
- Receive and review any reports of suspicious activity.

12. Reporting Procedure

Any suspicions of money laundering or terrorist financing will be reported to the compliance officer as soon as practicable. Any disclosures made to the compliance officer should contain full details of all the people involved, the nature of the transaction, the dates of such activities and any reasons for suspicion. The Compliance Officer after evaluating the details and in consultation of the CEO issue a Suspicious Transactions Report (STR) in terms of the provisions of the AML Act and rules. In addition, transactions suspected of being involved in financing of activities relating to terrorism, shall also be reported to the Financial Monitoring Unit (FMU).

The Chief Financial Officer and Company Secretary will act as the Compliance Officer till such time that an independent person is assigned by the Board of Directors of the Foundation (the 'Board') to perform such function.

13. Training

All affected employees and Board members will be provided with training on their responsibilities in relation to the money laundering regulations, and be made aware of how to identify and deal with transactions that may involve money laundering or terrorist financing.

14. Detailed Procedures

In terms of the above Policy, detailed AML/CFT procedures will be developed and kept up to date with changes in view of remedial measures and regulatory requirements.

15. Policy Approval Authority

The Policy and any changes therein will require approval of the Board. The CEO is authorized to approve the detailed procedures including changes therein from time to time.

