

COMPANY POLICY AND PROCEDURES FOR KNOW YOUR CLIENT (KYC) AND CUSTOMER DUE DILIGENCE (CDD)

While opening an account of a client, including existing clients before making of this policy, following step-wise policy & procedures will be followed:

1. Customer Identification
2. Risk assessment of customer
3. Circumstances where Enhanced Due Diligence is required
4. On-going due Diligence
5. Circumstances where simplified Due Diligence can be adopted
6. Compliance Function
7. Data retention
8. Training and employee screening

1. Customer identification

- i. It will be ensured that no anonymous accounts or accounts that are obviously in the name of fictitious persons are opened or maintained. Reasonable steps must be taken to confirm the true identity of the prospective client and to collect all relevant information to ascertain the identity of the real controlling party of the trading account. For this purpose, minimum set of documents as prescribed by SECP from time to time must be obtained. Any additional documents where considered necessary may be obtained .
- ii. It will be determined whether a customer is acting on behalf of another person. In such cases steps would be taken and all the relevant documents would be obtained to determine the true identity of that person.
- iii. For legal persons, reasonable measures must be taken to understand the beneficial ownership and control structure of the customer. For this purpose, it will be pursued to identify the natural persons with controlling interest and who constitute the mind and management of the legal person or arrangement.
- iv. For legal persons, it will be verified that person purporting to act on behalf of the customer is so authorized.
- v. It must be ensured that accounts of Institutions/ body corporate are not opened in the individual name of any employee/ official. Government accounts would not be opened in the personal names of Government officials. Any such account, which is to be operated by an officer of the

Federal/Provincial/Local Government in his/her official capacity, will be opened only on production of a special resolution/ authority from the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government.

- vi. Sufficient information on the purpose and intended nature of the account to be opened/ maintained with us will be obtained and documented and will develop a profile of the customer based on results of customer identification and the risk assessment. Information regarding the intended investment plan of the customer must also be obtained, if possible.
- vii. Sufficient information will be obtained to determine the expected source of funding for the account, particularly whether the client will be receiving/ remitting funds in foreign currency.
- viii. In addition to the requirements mentioned above, It will be ensured that all receipts and payments to the customers above the prescribed threshold must be through cross cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it becomes necessary for a broker to accept cash from a customer, reporting of such instances with rationale would be made immediately to the exchanges.
- ix. Physical presence of the customer at the time of opening of account will be ensured. In case of off-shore clients or clients in cities where there is no company branch, appropriate procedures must be applied, such as verification by a reliable third party, confirmation from previous broker of the clients etc. When obtaining confirmation from the third parties in different jurisdictions it must be considered whether that jurisdiction is following the FATF recommendations.

2. Risk Assessment

- i. A risk assessment must be performed of all the existing and prospective customers on the basis of information obtained regarding their identity, nature of income, source of funding, location etc and based on the results of such assessment, categorizing customers among high risk, medium risk and low risk customers.

Following are categorized as High Risk customers:

- a. Non-resident customers;

- b. Legal persons or arrangements including non-governmental organizations; (NGOs) / not-for-profit organizations (NPOs) and trusts / charities;
 - c. Customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries;
 - d. Customers whose business or activities present a higher risk of money laundering such as cash based businesses;
 - e. Customers with links to offshore tax havens;
 - f. High net worth customers with no clearly identifiable source of income;
 - g. There is reason to believe that the customer has been refused brokerage services by another brokerage house;
 - h. Non-face-to-face / on-line customers;
 - i. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
 - j. Politically Exposed Persons (PEPs) or customers holding public or high profile positions
- ii. **Politically Exposed Persons**” (PEPs) are individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories
- iii. A self-assessment will be conducted for money laundering and terrorist financing risk, identifying and documenting the key risks presented to it by virtue of its business model, types of customers and geographical placement.

3. Enhanced Due Diligence

- i. Enhanced Due Diligence (EDD) will be applied when dealing with high-risk customers. Appropriate policies and procedures must be developed and put in place to ensure that activities and transactions of High-risk customers are adequately monitored and any unusual transactions are reported.
- ii. While dealing with the high-risk customers including the PEPs, Following points would be considered:

- a. Obtain senior management approval for establishing business relationships with such customers. The same will also apply in case of an existing customer which is classified as High-risk pursuant to these guidelines or which is subsequently classified as a result of ongoing due diligence;
 - b. Take reasonable measures to establish the source of wealth and source of funds.
- iii. If the above cannot be applied then account would not be opened, or the business relationship would be terminated, as the case may be and would submit a Suspicious Transaction Report to the Exchange.
- iv. When it is difficult or cannot be identified and verified the identity of the customer and the beneficial owner or when not able to obtain adequate information regarding the purpose and intended nature of the customer relationship, client account will not be opened, neither commence customer relationship or in the case of an existing customer will terminate the relationship and consider the filing of a Suspicious Transaction Report.

4. On-going Due Diligence

- i. It will be ensured that an on-going Due Diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with our knowledge of the Customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.
- ii. It will be ensured that the customer records are updated yearly and sufficient information is obtained regarding any significant change in the customer profile.

5. Simplified Due Diligence

- i. Simplified or reduced CDD measures will be applied in the following circumstances:
 - a. risk of money laundering or terrorist financing is lower
 - b. information on the identity of the customer and the beneficial owner of a customer is publicly available
 - c. adequate checks and controls exist

- ii. Accordingly, following customers may be considered for simplified or reduced CDD:
 - a. Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF Recommendations and are supervised for compliance with those controls
 - b. Public companies that are subject to regulatory disclosure requirements
 - c. Government administrations or enterprises
- iii. When opting for simplified or reduced due diligence, the FATF guidelines in this regard must be consulted. Simplified CDD would not be followed when there is an identified risk of money laundering or terrorist financing.

6. Compliance Function

- i. In the above context, the person responsible for compliance is Mr. Jibran Ali Khan and he has sufficient skills and experience to effectively perform the compliance function. He is responsible to ensure compliance and report to the Board of Directors of our Company directly.
- ii. It is the responsibility of the compliance function to ensure that KYC/CDD guidelines are being complied with as well as with other regulatory requirements. This includes maintaining record of violations / non-compliance identified which has to be reported to the Board of Directors. Any such record has to be available for inspection by SECP and PSX as and when required.

7. Data Retention

- i. The company will maintain the relevant documents obtained through the application of KYC/CDD procedures, especially those pertaining to identification of the identity of a customer, account files and correspondence exchanged for a minimum period of five years.

8. Training and Screening

- i. The Company will develop an on-going employee training program to ensure that the employees understand their duties and are able to perform the same on a satisfactory level.
- ii. The Company will develop and implement appropriate screening procedures to ensure high standards while hiring staff. However, the

screening process must be an on-going exercise and must be applied consistently to ensure that employees, particularly those working at sensitive positions, meet and maintain high standards of integrity and professionalism.

- iii. The Company must provide any information concerning its clients and their transactions to the exchanges, Financial Monitoring Unit or the Commission as and when required.

9. Other requirements

The Company will comply with the requirements of Anti Money Laundering Act, 2010 as applicable on them, including the requirement to file Suspicious Transaction Reports and any directives, circulars, guidelines issued in this regard by Federal Government, Financial Monitoring Unit and SECP.