

Annexure A

KYC / CDD Checklist

Date	Account Title	Account / UIN #
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SECTION A

Minimum Information / Documents to be provided by Investor

	Pls tick		Pls tick		Pls tick
1. Individuals/Sole Proprietorships		2. Partnerships		3. Institutions/Corporates	
CNIC of Principal and Joint Holders / Passport for Foreign Nationals / NICOP for non-resident Pakistanis		CNICs/NICOP of all partners, as applicable		CNIC / NICOP of Authorized Signatories and Directors	
Proof of Employment/Business		Partnership Deed		List of Directors and Officers	
NTN Certificate, where available		Latest financial statements		NTN Certificate	
		Certificate of Registration (in case of registered partnership firm)		Documentary evidence of Tax Exemption (if applicable)	
		NTN Certificate		Certificate of Incorporation	
				Certificate of Commencement of Business	
				Certified Copy of Board Resolution	
				Memorandum & Articles of Association/ Bye Laws/ Trust Deed	
				Audited Accounts of the Company	
4. Trusts		5. Clubs Societies and Associations		6. Executors/Administrators	
CNICs of all trustees		Certified copy of certificate of Registration		CNICs of all Executors/Administrators	
Certified copy of the Trust Deed		List of members		Certified copy of Letter of Administration	
Latest financials of the trust		CNIC/NICOP of members of Governing Board			
Documentary Evidence of Tax Exemption (if applicable)		Certified copy of bylaws/rules and regulations			
Trustee/Governing Body Resolution		Copy of latest financials of Society/Association			
		Board/Governing Body Resolution			

If documents / information is complete, proceed to Section B

List any missing documents / information below:

- 1
- 2

If ANY document or information is missing, proceed to Section G.4

SECTION B**Assessment of information provided in section A**

Based on information provided in A.

1. Is the investor also the ultimate beneficiary of the funds to be invested If NO, joint account should be opened or power of attorney be provided by ultimate beneficiary with relevant documentary details of the beneficiary	YES	NO
2. In case the Investor is a private company , IS the latest shareholders' list available	YES	NO
3. In case of Government Accounts , Mark YES if the account is not in the personal name of the government official A resolution / authority letter (duly endorsed by Ministry of Finance or Finance Department of concerned government) is available, which authorizes the opening and operating of this account by an officer of federal / provincial / local government in his / her official capacity	YES	NO
If the answer to any of the above questions was 'NO', go to section G.3 or G.4, otherwise go to Section C		

SECTION C

Risk Category of Investor	Please tick box		
1. Government Department / Entity	<input type="checkbox"/>	LOW RISK	<i>Go to Section G.1</i>
2. Public listed company	<input type="checkbox"/>	LOW RISK	<i>Go to Section G.1</i>
3. Private limited company	<input type="checkbox"/>	MEDIUM RISK	<i>Go to Section G.2</i>
4. Non-Governmental Organization (NGO)	<input type="checkbox"/>	HIGH RISK	<i>Go to Section G.3</i>
5. Trust / Charity	<input type="checkbox"/>	HIGH RISK	<i>Go to Section G.3</i>
6. Unlisted Financial institution	<input type="checkbox"/>		<i>Go to Section D</i>
7. Individual	<input type="checkbox"/>		<i>Go to Section E</i>

SECTION D

Unlisted Private Financial Institution (NBFI)		
Is the unlisted private financial institution domiciled in Pakistan and is regulated by the SECP/State Bank of Pakistan (SBP) OR Is it domiciled in a FATF member country that is satisfactorily following the FATF recommendations and is supervised by a regulatory body	YES	NO
	YES	NO
If YES, proceed to Section G.1	If NO, proceed to Section G.3	

SECTION E

Individual		
1. Is the person a non-resident Pakistani	YES	NO
2. Is the person a high net worth individual with no identifiable source of income or his/her profile/source of income doesn't match with size & quantum of investments/	YES	NO
3. Is the person involved in dealing in high value items <i>(based on declared occupation)</i>	YES	NO
4. Is the person a foreign national	YES	NO
5. Does the person appear to have links or money transfer to/from offshore tax havens or belongs to country(s) where KYC/CDD and anti money laundering regulations are lax (in terms of not sufficiently applying FATF recommendations)	YES	NO
6. Is there any reason to believe that the person has been refused account opening by another financial institution / brokerage house	YES	NO
7. Is the person opening the brokerage account on a non-face-to-face basis/on-line	YES	NO
If the response to any question (1-7) above was 'YES' . proceed to Section G.3		
8. Is the person a holder of a senior level public (government) office i.e. a politically exposed person (PEP) or a family member of PEP.	YES	NO
9. Is the person a holder of high profile position (e.g. senior politician)	YES	NO
If the response to any question (8-9) above was 'YES' . proceed to Section F. else proceed to Section G.1		

SECTION F

Politically Exposed Person / Foreign National / Holders of High Profile Position		
Is the brokerage account relationship with this high risk category person including politically exposed person / foreign national / holder of high profile position, approved by the Nominee Director, CEO / COO of the brokerage house <i>(approval shall be provided by management through signing the respective Account Opening Form)</i>	YES	NO
If YES, proceed to Section G.3	If NO, proceed to Section G.4	

SECTION G

Investor Risk Profile		
	Risk Classification	KYC Requirements
G.1	LOW RISK	Reduced KYC Requirements shall be applicable: Investor account can be opened once information / documents mentioned in section A have been provided.
G.2	MEDIUM RISK	Greater care required and documents listed in Section A should be obtained before opening of account.
G.3	HIGH RISK	Enhanced KYC Requirements shall be applicable: Investor account can be opened once information / documents mentioned in section A have been provided. Transactions shall be monitored to ensure that the funds used for investments are from an account under the Investor's own name in a financial institution (e.g. bank) subject to high due diligence standards and the amount and frequency of investments are not unusual given the nature and financial strength of the Investor
G.4	HIGH RISK	Account cannot be opened as KYC Requirements have not been fulfilled.

CONFIRMATION of physical presence of customer when opening account	YES	NO
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Other Comments

Completed by:	<i>Name of Sales Person / Agent</i>	<i>Signature</i>	<i>Date</i>
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Checked by:	<i>Name of Compliance Person</i>	<i>Signature</i>	<i>Date</i>
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Annexure-B**Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures**

1. While developing the KYC and CDD policies and framework, International best practices, recommendations from the relevant bodies such as Financial Action Task Force (FATF) must be taken into account.
2. The KYC/CDD policy, at minimum, must provide for the following:
 - a. Customer Identification
 - b. Risk assessment of customer
 - c. Circumstances where Enhanced Due Diligence is required
 - d. On-going due Diligence
 - e. Circumstances where simplified Due Diligence can be adopted
 - f. Compliance function
 - g. Data retention
 - h. Training and employee screening

3. Customer identification

- 3.1 Brokers shall ensure that no anonymous accounts or accounts that are obviously in the name of fictitious persons are opened or maintained. Brokers must take all reasonable steps 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. Brokers may obtain any additional documents where considered necessary.
- 3.2 The Brokers shall determine whether a customer is acting on behalf of another person. In such cases steps should be taken and all the relevant documents should be obtained to determine the true identity of that person.
- 3.3 For legal persons, Brokers must take reasonable measures to understand the beneficial ownership and control structure of the customer. For this purpose, Brokers shall seek to identify the natural persons with controlling interest and who constitute the mind and management of the legal person or arrangement.

Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures

- 3.4 For legal persons. Brokers shall verify that person purporting to act on behalf of the customer is so authorized.
- 3.5 Broker must ensure that accounts of Institutions/ body corporate are not opened in the individual name of any employee/ official. Government accounts should not be opened in the personal names of Government officials. Any such account, which is to be operated by an officer of is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall 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.
- 3.6 Brokers should obtain and document sufficient information on the purpose and intended nature of the account to be opened/ maintained with them and 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 to the extent possible and should be documented.
- 3.7 Brokers must obtain sufficient information to determine the expected source of funding for the account, particularly whether the client shall be receiving/ remitting funds in foreign currency.
- 3.8 In addition to the requirements mentioned above. Brokers must ensure 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 should be made immediately to the exchanges.
- 3.9 The brokers shall ensure physical presence of the customer at the time of opening of account. In case of off-shore clients or clients in cities where the broker does not have a branch. Broker must apply appropriate procedures, 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 the

Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures

brokerage house must consider whether that jurisdiction is following the FATF recommendations.

4. Risk Assessment

4.1 The Brokers must perform a risk assessment 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, categorize their customers among high risk, medium risk and low risk customers. Brokers should develop clear guidelines for identification of High Risk customers which include:

- i. non-resident customers:
- ii. legal persons or arrangements including non-governmental organizations: (NGOs) / not-for-profit organizations (NPOs) and trusts / charities:
- iii. customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries:
- iv. Customers whose business or activities present a higher risk of money laundering such as cash based businesses:
- v. customers with links to offshore tax havens:
- vi. high net worth customers with no clearly identifiable source of income:
- vii. there is reason to believe that the customer has been refused brokerage services by another brokerage house:
- viii. Non-face-to-face / on-line customers:
- ix. establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations: and
- x. Politically Exposed Persons (PEPs) or customers holding public or high profile positions

4.2 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

Annexure-B**Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures**

4.3 Broker should conduct a self assessment 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

5. Enhanced Due Diligence

5.1 Brokers should apply Enhanced Due Diligence (EDD) 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.

5.2 While dealing with the high-risk customers including the PEPs, the Brokers should:

- a) Obtain senior management approval for establishing business relationships with such customers. The same shall 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.

5.3 If the Broker is unable to comply with the above requirements, it should not open the account, or should terminate the business relationship, as the case may be and should submit a Suspicious Transaction Report.

6. When a Broker is not able to identify and verify the identity of the customer and the beneficial owner or is not able to obtain adequate information regarding the purpose and intended nature of the customer relationship, it should not open the account, commence customer relationship or in the case of an existing customer should terminate the relationship and consider the filing of a Suspicious Transaction Report.

7. On-going Due Diligence

7.1 CDD is not a one-time exercise. Brokers should ensure that 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 the Broker's knowledge of the

Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures

Customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.

7.2 Brokers shall ensure that the customer records are updated at regular intervals and sufficient information is obtained regarding any significant change in the customer profile.

8. Simplified Due Diligence

8.1 Brokers shall apply simplified or reduced CDD measures 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

8.2 Accordingly, following customers may be considered for simplified or reduced CDD:

- 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
- Public companies that are subject to regulatory disclosure requirements
- Government administrations or enterprises

8.3 When opting for simplified or reduced due diligence, the FATF guidelines in this regard must be consulted. Simplified CDD should not be followed when there is an identified risk of money laundering or terrorist financing.

9. Compliance function

9.1 Brokers should set up a compliance function with suitable human resource and MIS reporting capabilities, enabling it to effectively monitor the clients' transactions and make timely reports

Annexure-B**Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures**

- 9.2 The Head of Compliance function must have skills and experience necessary for satisfactory performance of functions assigned. Head of Compliance must be independent and report directly to the Board of Directors.
- 9.3 The Compliance function shall ensure compliance with the requirements of these guidelines as well as other regulatory requirements applicable on the Broker under the relevant legal framework. A record should be maintained of all violation/ non-compliance identified and reported to the BoD and must be available for the inspection of Commission as and when required.

10. Data Retention

Brokers shall 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.

11. Training

The Brokers should 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.

12. Screening

- 12.1 Brokers shall 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.
- 12.2 Brokers must provide any information concerning its clients and their transactions to the exchanges, Financial Monitoring Unit or the Commission as and when required.

Annexure-B**Guidelines for the brokers for developing effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures****13. Other requirements**

Brokers must 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.