POLICY AND PROCEDURES FOR KNOW YOUR CUSTOMER / CUSTOMER DUE DILIGENCE

ACCOUNT OPENING POLICY

- The customer accounts shall be supported by complete account opening forms and copies of relevant documents.
- The true identity of the account operators and the real controlling person shall be established.
- The company will not open any anonymous or fictitious accounts.
- A complete KYC procedure shall be documented clearly identifying the source of income and the source of funds.
- All the customer accounts shall be risk profiled (low, medium and high).
- A continuous due diligence of customers' transactions shall be carried out to identify any suspicious transactions.

The account of a customer shall be opened subject to satisfactory completion of all documentary requirements including KYC

RISK ASSESSMENT

Based on the available information for each customer, an analysis of the customer profile shall be carried out and a risk category (low, medium, high) shall be assigned. **Annexure A** provides a broad outline of factors that will categorize the customer into a high risk category. All high risk customer accounts shall be opened after the joint approval of the Risk Management Department, CFO and CEO. Those customer accounts that do not fall into the high risk category shall be assigned low or medium risk category as appropriate. Such risk assessment shall be carried out for new and existing customers.

A low or medium risk category shall be assigned to an account based on the customer profile and shall be decided on a case to case basis.

In the case of high risk customers, the following shall be strictly adhered to:

- the account opening is authorized by the senior management,
- the source of wealth and funds invested is clearly identified and documented in the account opening form,
- the transactions in such accounts shall be closely monitored and any unusual transactions are reported in a SUSPICIOUS TRANSACTION REPORT (STR).

If the above requirements cannot be fulfilled by the client than the account of such a person should not be opened. In case of all existing high risk customers, if the client is unable to fulfill the above mentioned requirements, such accounts should be closed and STR be filed.

DUE DILIGENCE

In respect of all the accounts categorized as high risk a continuous due diligence process shall be conducted including, but not limited to, the following:

- An updated list of all such accounts shall be forwarded to the risk management department by the end of every month,
- All such accounts shall be opened with the authorization of the senior management and for identification, mark special character/group/category when account open,
- All the transactions in these accounts shall be monitored as and when executed,
- Any suspicious transactions in these accounts shall be informed to the senior management and reported in SUSPICIOUS TRANSACTION REPORT (STR).

The following simplified due diligence procedures may be followed in the following cases:

- risk of money laundering or terrorist financing is lower,
- information on the identity of the customer and the beneficial owner of a customer is publicly available or easily identifiable,
- public companies that are subject to regulatory disclosure requirements,
- government administrations or enterprises,
- unlisted private financial institutions domiciled in Pakistan and regulated by SBP/SECP.

The compliance and risk management function is responsible for implementation and monitoring of risk management policies and procedures. Major roles and responsibilities of the compliance and risk management function include the following:

- Identify the risks associated with business, processes and trading activity,
- Review and monitor the identified risks,
- Reporting deviations to traders, operations, finance and senior management,
- Ensure that risk management module covers all aspects that allow Risk Management Department to monitor and report deviations from approved policies and procedures,
- Formulate risk management policies and procedures,
- Update existing policies and procedures to bring them in line with current business and industry practice.

DATA RETENTION

All data relating to KYC/CDD guidelines & procedures have to be maintained for a minimum of five years, Including identity of the customer(s), account files and correspondence exchanged with the customer(s).

FACTORS THAT WILL CATEGORIZE THE CUSTOMER INTO A HIGH RISK CATEGORY **ANNEXURE A**

S.NO.	FACTORS THAT WILL CATEGORIZE THE CUSTOMER INTO A HIGH RISK CATEOGORY
1	Non-resident customer
2	Legal persons or arrangements including non-governmental organizations (NGOs), not-for-profit organizations (NPOs) and trusts/charity organizations
3	Customers belonging to countries where CDD/KYC and anti-money laundering regulations are lax or if funds originate or go to those countries
4	Customers whose business or activities present a higher risk of money laundering such as cash based businesses
5	Customers with links to off-shore tax havens
6	High net worth customers with no clearly identifiable source of income
7	There is no reason to believe that the customer has been refused brokerage services by another brokerage house
8	Non face-to-face or online customers
9	Customer is involved in dealing in high value items (based on declared or known occupation)
10	Jurisdictions subject to a Financial Action Task Force (FATF) call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdictions. These jurisdictions include Iran and Democratic People’s Republic of Korea. Risk Management Department shall update the status of jurisdictions on a quarterly basis.
11	Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction, as described below. These jurisdictions include Algeria, Ecuador, Indonesia and Myanmar. Risk Management Department shall update the status of jurisdictions on a quarterly basis.
12	Customer is a foreign national
13	Unlisted private financial institution not domiciled in a FATF member country. The list of member countries and those countries not effectively following the FATF recommendation is available on the FATF website
15	Politically exposed persons (PEPs) or customers holding public or high profile positions

FACTORS THAT WILL CATEGORIZE THE CUSTOMER INTO A HIGH RISK CATEGORY **ANNEXURE A**

"POLITICALLY EXPOSED PERSONS"

These generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials, senior executives of state corporations and their family members and close associates. These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and monitoring their account activity.