



KYC & CDD POLICY

Pearl Securities Limited

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PREFACE

In the last few years, across the world regulations have been put in place to discourage money laundering and financing of illegal/criminal activities. Furthermore, under the United Nations umbrella, several international agreements have been signed by UN member states under which the member states are bound to implement policies that discourage money laundering and monitor financial transaction that are suspicious and raise concern about money laundering. Pakistan has enacted the ANTIMONEY LAUNDERING ACT 2010. Financial institutions and intermediaries must comply with the provisions of this Act.

Money laundering and financing of criminal activities is a very serious offense and the Company must always remain vigilant that its good office will not used for any such activity. This is important for the growth and development of the Pearl Securities Limited.

LIABILITY

The Board of Directors is over-all responsible for development, adoption, implementation and the monitoring of this policy.

All the employees and executives involved from opening of a client account to execution of trades will ensure that they are fully aware of the contents of this policy. The policy is accessible to all relevant staff and executives of the Company. The management will take necessary steps to make sure that every concerned staff of the Company is given reasonable opportunity to get knowledge and awareness about the contents of this policy.

KYC & CDD POLICY OUTLINE

The key areas this policy includes:-

- a. Customer Identification
- b. Risk assessment of customer
- c. Circumstances where Enhanced Due Diligence is required
- d. On-going due Diligence

a. **Customer identification.** The concerned staff is primarily responsible to take all reasonable care to establish the true identity of customers. Each and every client who likes to open a shares trading account would be bound to fill an account opening form. The Customer Support Officer will be responsible to fill-up also a Know Your Customer (KYC)/Customer Due Diligence (CDD) checklist. (Annexure A.1) The Customer Support Officer is also authorized to obtain any other document from the customer if he believes that it will help in establishing the true identity of the customer and the real controlling person behind the account.

b. **Risk assessment of customer.** The risk assessment has to be done on the basis of information obtained at the time of brokerage account opening and has to be updated on the basis of information obtained during the relationship and doing business with the customer. It should be based on customer's identity, nature of income, source of funding, location/domicile of customer, etc. The customer support department should follow the instructions as set out in Annex A.2.

c. **Circumstances where Enhanced Due Diligence is required.** If a customer has been categorized as high risk, it is necessary to have enhanced due diligence when dealing with such a customer.

In case of these customers either the chief executive or senior management members of the company are required to approve the opening of shares trading account. In these cases the customer support department, in consultation with compliance department also try to determine the source of wealth and funds invested by client.

d. **On-going due Diligence.** In order to safe-guard company from any criminal transactions of the customers , the customer support department need to be vigilant at all times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the understanding of customer's profile, risk category, historical pattern of the transactions and their historic funding source.

MARGIN FINANCING

The Margin Financing is a product of NCCPL in which the holder of shares has to deposit these shares to stock member to get finance against purchase of these shares.

The Customer Support Officer must follow the directives set out in 'Margin Financing Guidelines' (Annex A.3) before recommending any customer for margin financing transactions.

ENFORCEMENT OF POLICY

No violation from the policy is allowed. The violations from the Policy should be handled under the disciplinary procedures applicable to the relevant persons. The Company may adopt the measures which appears necessary in this regard. This should be done in order to protect the Company from any potential liability for not following the Anti Money Laundering Act, 2010.

AMENDMENTS TO THE POLICY

This is the responsibility of management to timely review and amend/modify this Policy from time to time, simultaneously with the approval of Board of Directors of the Company.

Pearl Securities Limited KYC/CDD Checklist

Date: _____

Account No: _____

Account Title: _____

Account UIN: _____

Account Type: _____

SECTION A **Minimum Information / Documents to be provided by Investor**

1 Individuals/Sole Proprietorships

CNIC of Principal and Joint Account Holder
 Passport copy of Foreign Nationals
 NICOP for non-resident Pakistanis
 NTN Certificate (Where Available)
 CNICs of all Executor

2 Partnerships

CNIC of All Partners
 Partner Ship Deed
 Last Financial Statements
 Certificate of Registration (In case of registered Firm)
 NTN Certificate
 CNICs of all Executors/Administrators

3 Institutions/Corporate

CNIC/NICOP of Authorized Signatories & Directors
 List of Directors
 List of Officer/Authorized Signatories
 NTN Certificate
 Documentary evidence of Tax Exemption (if applicable)
 Certificate of Incorporation
 Certificate of Commencement of Business
 Certified Copy of Board Resolution
 Memorandum & Articles of Association/ Bye Laws/ Trust Deed
 Latest Audited Accounts of the Company
 Net Capital Balance (For TREC Holder)
 Latest Certificate of TREC Holder
 CNICs of all Executors/Administrators

4 Trust

CNICs of all trustees
 Certified copy of the Trust Deed
 Latest financials of the trust
 Documentary Evidence of Tax Exemption (if applicable)
 Trustee/Governing Body Resolution
 CNICs of all Executors/Administrators

5 Clubs Societies and Associations

Certified copy of certificate of Registration
 List of members
 CNIC/NICOP of members of Governing Board
 Certified copy of bylaws/rules and regulations
 Copy of latest financials of Society/Association
 Board/Governing Body Resolution
 CNICs of all Executors/Administrators

6 List of any missing documents

1. _____
2. _____
3. _____
4. _____
5. _____

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

Yes	No
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If NO, joint account should be opened or power of attorney be provided by ultimate beneficiary with relevant documentary details of the beneficiary

2. In case the Investor is a private company, Is the latest shareholders' list available

Yes	No
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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
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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

1. Government Department / Entity
2. Public listed company
3. Private limited company
4. Non-Governmental Organization (NGO)
5. Trust / Charity
6. Unlisted Financial institution
7. Individual

	Low Risk	Go to Section G.1
	Low Risk	Go to Section G.1
	Medium Risk	Go to Section G.2
	High Risk	Go to Section G.3
	High Risk	Go to Section G.3
		Go to Section D
		Go to Section E

SECTION D Unlisted Private Financial Institution (NBF)

Is the unlisted private financial institution domiciled in Pakistan and is regulated by the SECP/State Bank of Pakistan (SBP)

Yes	No
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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
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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
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/
3. Is the person involved in dealing in high value items (based on declared occupation)
4. Is the person a foreign national
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)
6. Is there any reason to believe that the person has been refused account opening by another financial institution / brokerage house
7. Is the person opening the brokerage account on a non-face-to-face basis/on-line

Yes	No
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Yes	No
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Yes	No
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Yes	No
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Yes	No
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Yes	No
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Yes	No
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If the response to any question (1-7) above was 'YES', proceed to Section G.3

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 (approval shall be provided by management through signing the respective Account Opening Form)

Yes	No
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If YES, proceed to Section G.3

If NO, proceed to Section G.4

SECTION G Investor Risk Profile

Risk Classification	KYC Requirements
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LOW RISK	Reduced KYC Requirements shall be applicable: Investor account can be opened once information / documents mentioned in section A have been provided
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MEDIUM RISK	Greater care required and documents listed in Section A should be obtained before opening of account.
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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
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HIGH RISK	Account cannot be opened as KYC Requirements have not been fulfilled.
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CONFIRMATION of physical presence of customer when opening account	Yes	No
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Other Comments _____

Completed By	Kashif Khan		
	Name of Sales Person / Agent	Signature	Date

Checked By	Mustafeez Malik		
	Name of Compliance Person	Signature	Date

	Instructions for Customer Support Department	Compliance Status (Yes, No or N/A)	Remarks (if any)
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	To know who is the customers, true identity of the Customer is ensured		
	If the customer is trading on behalf of any other person than the Identity of that person must be ensured		
	In case of client is a corporate body, special care is given to ascertain the Ownership and Control Structure		
	Authorized representative of Corporate clients are verifiable		
	Accounts of the Corporate clients are not opened in the name of their employees		
	Any Account of the Govt. organization is opened on the production of special resolution/authority from the concerned administrative department duly endorsed by the MOF or Finance Department of Provincial or Local Dept.		
	Determines the sources of Funds, more especially if the client will receive funds in Foreign Currency.		
	Receipts/Payment above Rs. 25,000 must be done through crossed banking instrument, in case of acceptance in exceptional circumstances, that must be reported to stock exchange immediately.		

	<p>Physical appearance of the client is made necessary. In case of non resident/overseas or client in other city where, no branch office of the company exists, strong identification needs to be done, that includes verification by third party.</p>		
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	<p>Risk assessment of following has to be done at the time of the Account Opening and updated on the basis of the information obtained during the relationship and doing business with the customer.</p>		
	<p>i. non-resident customers;</p>		
	<p>ii. legal persons or arrangements including non-governmental organizations; (NGOs) / not-for-profit organizations (NPOs) and trusts / charities;</p>		
	<p>iii. customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries;</p>		
	<p>iv. Customers whose business or activities present a higher risk of money laundering such as cash based businesses;</p>		
	<p>v. customers with links to offshore tax havens;</p>		
	<p>vi. high net worth customers with no clearly identifiable source of income;</p>		
	<p>vii. special care has to be made if customer has been refused brokerage services by another brokerage house;</p>		

	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		

	Ensure that customer records are updated on regular interval.		
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	The compliance department ensures compliance of above and all the other applicable regulatory framework applicable and report violation/noncompliance to the BOD.		
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