

# **AKY SECURITIES (Pvt.) Ltd.**

**Corporate Member Pakistan stock Exchange ( Guarantee ) Limited**

Office No.48 1<sup>st</sup> floor Stock Exchange Building, Stock Exchange Road, Karachi

## **KNOW YOUR CUSTOMER (KYC)**

**&**

## **CUSTOMER DUE DILIGENCE (CDD)**

## **POLICIES & PROCEDURES**



AKY Securities (Pvt.) Limited (AKY) developing these KYC and CDD policies and procedures, International best practices, recommendations from the relevant bodies such as Financial Action Task Force (FATF) have been taken into account. Now, this document has been prepared to follow the guidelines and instruction from apex capital market regulator, the Securities and Exchange Commission of Pakistan (SECP). (SECP) has provide Comprehensive guidelines for the Participants of capital markets regarding how to develop and implement policies and procedures that will help discourage money laundering and also allow capital market institution to monitor and remain alert regarding suspicious transaction and/or parties who may be attempting to launder money. The KYC/CDD policy approved by the Board and also authorized the CEO and Compliance Officer to add / modify / amend the provisions under advice to the Board.

**The KYC/CDD Policy Outline**

Key areas that the KYC/CDD policy should cover include:

- 1. Scope / Objective S
- 2. Type of Customers, information & Documents Required T
- 3. Principles of KYC / CDD P
- 4. Verification V
- 5. Enhanced Due Diligence E
- 6. Ongoing due Diligence O
- 7. Simplified Due Diligence S
- 8. Compliance function C
- 9. Data retention D
- 10. Training T
- 11. Screening S
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- 1. Scope / Objective S

1.1 The policy defines various category of customers, minimum required information / documents. T

1.2 It also clarifies the risks associated with each customer, particularly the high risk customers who pose a risk of money laundering and other illegible activates. I

1.3 It explains, how to ensure the client's identity & background for new clients and the measure to update KYC / CDD for existing clients, and to identify high risk customer. I

1.4 To achieve its objective the necessary forms / questionnaire have been introduced. T

1.5 The scope of KYC / CDD policy is to establish reasonable measures to determine about the Customers of AKY, whether individual or institutional, in accordance with the stated guidelines by the commission. For this purpose, training with respect to KYC/CDD to Directors and the concerned staff of AKY and shall be carried T

2. Type of Customers, Information & Documents Required T

2.1 KY shall obtain the minimum information/ set of documents from various types of Customers, detail of which are as follows: A

S #	Type of customers	Information required	Documents Required
1	Individuals/ Sole proprietor Ship	Name and Father's Name address Telephone Number(s)/Mobile No/Email Sources of Income Nationality & NTN Guardian name (if Applicable)	Copy of CNIC or passport or attested copy of B form in case of Minor Detail of Business/Employment/Pension/Spouse or Family funds/Inheritance/personal savings/Retirement Benefits/Self employed Zakat exemption Certificate(if Applicable) Guardian Certificate (If Applicable)
2	Partnership based entity	Name of partnership Entity Names of partners Father's Name of partners Address of partnership entity Telephone Number(s)	Copy of CNIC/passport of all Partners Copy of CNIC of authorized signatories List of Authorized signatories along with power of Attorney .partnership Deed. Certificate of Registration (if available) Resolution authorizing investments Copy of latest financials of partnership
3	Companies (institutional and Corporate)	Name of company and its directors Registered Address	Copy of CNIC/passport of Directors audited account of the company Memorandum and article of association

		Telephone number(s) Contact persons Registered number & NTN	Board resolution authorizing investments Certificate of incorporation/commencement of Business List of authorized signatories along with copy of CNICs and power attorney
4	Clubs, Societies And Associations	Name of Club, Society or Association Registered address of Club, society or association Telephone numbers(s) Contact Persons	Board/Government Body Resolution for investment Certified copy of bylaws/rules and regulations Copy of CNIC of Board's members Certified copy of certificate of registration List of authorized signatories along with copy of CNICs and power attorney Copy of latest financials
5	Trusts including, but not limited to, Provident fund, Gratuity fund, Pension fund, mutual fund, etc.	Name of trust, Fund etc Name of Trustee Address of Trust/Fund etc. Telephone number(s) Contact persons	Copy of CNIC of all trustees Certificate copy of Trust Deed Trustee/Government body Resolution for investment Copy of the latest financials of the Trust List of authorized Signatories along with copy of CNICs and power attorney
6	Executors and Administrators	Name of Entity for Executor/Admin. Is appointed Name of Executor / Administrator Address of entity & Tele Numbers	Copy of CNIC of Executor/Administrator Certified copy of the letter of Administration
7	Government Entities	Name of Government owned organization Address of Government owned organization Telephone numbers Contact persons	A Special Resolution/authority endorsed by the Ministry of finance or finance Department from concerned Government (Federal/Provincial/Local) clearly listing the persons/officers authorized to operate such account List of Authorized Signatories Copy of CNIC of authorized officer(s) Resolution authorizing investment

### 3. Principles of KYC / CDD

- 3.1.1 AKY has structured few principles as per regulatory guidelines from SECP & PSX for the effective implementation of KYC policy. These principles shall be applicable to customers, details of which are as follows
- 3.1.2 Payment in cash or bearer instruments, above Rs. 25000 shall be strictly prohibited; further, receipt of cash above 25000 on any day, in case of exceptional circumstances like loss of margin, bounced cheques, overdue payment etc should be reported to exchange as per relevant rules and regulations.
- 3.1.3 Third party cheques shall be discouraged
- 3.1.4 Any account which has nominal balance for a period of more than one year and no shares in the CDC Sub account for more than 6 months with exception of shares of suspended scripts will be Considered as "Dormant Account" and only after necessary KYC / CDD verifications, these customer will be allowed to operate account with AKY;

- 3.1.5 Government account shall not be opened in the personal names of the Government Official(s);
- 3.1.6 KYC / CDD measures shall be enhanced for high Risk Customers. Characteristics of High Risk Customers are given in this policy;
- 3.1.7 Dealing with any political exposed person or customers holding public or high profile position, relationship with them should be discouraged and only in case of long and comfortable relationship be established and / or maintained with the approval of senior management of AKY including if any existing customer becomes holder of any public office or high profile position;
- 3.1.8 AKY 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 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.
- 3.1.9 For customers that are legal persons or for legal arrangements, AKY is required to take reasonable measures to understand (i) the ownership and control structure of the Company (ii) determines that who own or control over a company;
- 3.1.10 In case AKY is not able to satisfactorily complete the required KYC / CDD measures, account must not be opened, business relationship must not be established and Business transaction must not be carried out. Similarly, relationship with existing customer should be terminated and/ or reduced significantly and/ or put account on watch immediately if KYC / CDD is found unsatisfactory;
- 3.1.11 Any exception (including suspicious transaction) identified in fulfilling the criteria/guidelines laid down in this policy shall be clearly indicated in writing and referred to the chief executive officer (CEO) in order to decide future course of actions;
- 3.1.12 A copy of any exception (including suspicious transaction) reporting to CEO shall be submitted to compliance Officer.
- 3.1.13 If a customer is acting on behalf of another customer, his identity should be ascertained and relevant documents should also be obtained
- 3.1.14 The simplified check list should also very broadly cover the investment outlook and risk appetite of the customer, which along with the profile helps build the risk assessment of customer.
- 3.1.15 On a very broad scope, also evaluate in a generalized manner the risk appetite, investment horizons, stock preference like sharia compliant etc, to evaluate the customers risk appetite and risk profile.

#### 4. Verification

- 4.1.1 verification is an integral part of KYC / CDD measures for which AKY is required to ensure the following area;
- 4.1.1 before opening an account, AKY shall verify the signature of the account holder is verified from the bank in sub account opening from
- 4.1.2 AKY will not open any account without UIN approval from National Clearing Company of Pakistan (NCCPL).
- 4.1.3 AKY should seek sufficient information to determine the expected source of funding for the account, e.g. family funds, personal savings, inheritance, spouse funds in foreign currency.
- 4.1.4 Proof should be acquired if the mailing address differs from the address given in the CNIC.

#### 5. Enhanced Due Diligence

- a) Once a customer has been categorized as HIGH RISK, it is necessary to have enhanced due diligence (EDD) when dealing with such a customer. Activities and transactions of HIGH RISK customers shall be monitored and any unusual transactions shall be reported in suspicious transaction report.
- b) When dealing with high-risk customers, including politically exposed persons (PEP's), senior management' approval shall be obtained to establish business relationships with such customers. The same shall also apply in case of an existing customer which will be classified as high-risk pursuant to these policies or which will be subsequently classified as a result of ongoing due diligence, further, reasonable measures shall be taken to establish the source of wealth and source of funds.
- c) If it will be not possible to comply with the above requirements, account shall not be opened or business relationship shall terminate, as the case may be and suspicious transaction report shall be submitted.
- d) When it will be not possible to identify and verify the identity of the customer and the beneficial owner or will be not possible to obtained adequate information regarding the purpose and intended nature of the customer relationship, account shall not be opened, customer relationship shall not be commenced or in the case of an existing customer relationship shall be terminated and filling of a suspicious transaction report shall be considered.

## **6. Ongoing Due Diligence**

- 6.1.1 Customer Due Diligence (CDD) should not be contemplated as a onetime exercise at the time entering into Relationship with the customers. It should be viewed as an ongoing process.
- 6.1.2 Maintain proper records of customer identifications and clearly indicate in writing any exception in fulfilling CDD measures. These exceptions will be referred to the CEO to decide future course of action. So far any suspicious change has not been noted. If any such doubt arises, it shall be documented and reported to CEO who at his decision, refer to Board for final course of action

## **7. Simplified Due Diligence**

- a) CDD measures shall be simplified or reduced in the following circumstances:
  - 1. Risk of money laundering or terrorist financing is lower.
  - 2. Information on the identity of the customer of the beneficial owner of.
  - 3. A customer is publicly available.
  - 4. Adequate checks and controls exist.
- b) Following customers may be considered for simplified or reduce CDD:
  - 1. Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF Recommendations and are superbised for compliance with those controls.
  - 2. Public companies that are subject to regulatory disclosure requirements.
  - 3. Government administrations or enterprises.

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

## **8. Compliance Function**

a) A Compliance functions shall be established with suitable human resource and M/S reporting capabilities, enabling it to effectively monitor the customers' transactions and make timely reports.

b) The Head of compliance function shall have skills and experience necessary for satisfactory performance of functions assigned. Head of compliance shall be independent and report directly to the board of directors.

c) The compliance function shall ensure compliance with the requirements of these policies as well as other regulatory requirements applicable under the relevant legal framework. A record shall be maintained of all violation/ non-compliance identified and reported to the BoD and must be available for the inspection of SECP as and when required.

## **9. Data Retention**

AKY shall be required to 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.

## **10. Training**

Appropriate on-going employee training program and knowledge refreshment shall be arranged to ensure that the employee understand their duties and are able to perform the same on a satisfactory level.

## **11. Screening**

- a) Staff shall be hired with extra care and all possible screening measures shall be taken including independent inquiries, information from previous employer/Colleagues etc. further screening process shall be an on-going exercise and shall be applied consistently to ensure that employees, particularly those working at sensitive positions, meet and maintain high standards of integrity professionalism.
- b) Any information concerning customers and their transactions shall be provided to the exchanges, financial monitoring unit or the commission as and when required.
- c) A checklist has been developed and annexed to these policies and procedures. Details of the necessary documents, information, and procedures required to be obtained/ followed have been incorporated therein. Further, necessary documents/information required have also mentioned in relevant account opening forms and are not reproduced herein to avoid repetition.

## **12. Other Requirement**

AKY must comply with the requirements of anti money laundering Act, 2010 as applicable on them, including and any directives, circulars, guidelines issued in this regard by Federal government, Financial Monitoring Unit and SECP.

11 Following SECP / PSX (formerly KSE) guidelines on KYC / CDD and policy, at the time of Account Opening, we scrutinize all our potential customers and also existing clients on the best efforts basis as per our check list.