

KYC / CDD POLICY-2016

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KYC / CDD CHECK LIST



ABBASI AND COMPANY (PRIVATE) LIMITED

TREC HOLDER: PAKISTAN STOCK EXCHANGE LTD

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THE KYC/CDD Policy Outline

To curb money laundering and financing of illegal / criminal activities, regulatory bodies across the world provide guidelines for developing effective and practical KYC / CDD policies and procedure that are easy to understand, implement and monitor. Abbasi & Company (Private) Limited is always been at the forefront of adopting and implementing any regulations provided by its regulatory authority Securities and Exchange Commission of Pakistan (SECP), and guidelines provided by its frontline regulator Pakistan Stock Exchange (PSX).

We have designed our KYC/CDD policy and procedure according to the framework provided by the Pakistan Stock Exchange (PSX) referencing dated march 16, 2012. Below are the areas which we have covered;

1. CUSTOMER IDENTIFICATION

1.1 Its a basic tenet of our business to know about are customers. This helps us to protect our self from being used by unscrupulous and/or criminal elements. In this regard, Abbasi & Company (Pvt) Limited will take all reasonable care to establish the true identity of the customers. A minimum set of documents will be obtained from customers/potential customers at the time of opening their brokerage account as prescribed by the SECP. To be prudent, Abbasi & Company (Pvt) Limited will obtain any other document from the account opener if we believed that it will help in establishing the true identity of the customer and the real controlling person behind the account.

The key point is that we will not open anonymous or obviously fictitious accounts.

1.2 It is important to recognize if a customer is acting on behalf of another person. If this is the case, than the identity of that person should be ascertained and relevant documents of that person also needs to be obtained.

1.3 For non-individual customers (e.g. companies, pension funds, government owned entities, non-profit organizations, foreign companies/ organizations) additional care has to be taken to establish the ownership and control structure of such an organization and who (i.e. person(s)) actually owns the organization and who manages it. Abbasi & Company (Pvt) Limited will verify that the person who represents himself as authorized signatory with powers to open and operate the brokerage account is actually authorized by the organization.

1.4 Abbasi & Company (Pvt) Limited have to make sure and be careful that accounts of Institutions/ organizations / corporate bodies are not opened in the name of employee(s)/official(s). Because of sensitive nature of public sector (government) entities and risk of potential conflict of interest, it is critical for Abbasi & Company (Pvt) Limited and their representatives to ensure that accounts of Govt. Institutions are not opened in the individual name of any employee/official. Any such account, which is to be operated by an officer of a govt. owned entity, is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall only be opened on 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.

1.5 When an individual or an organization/institution will open a brokerage account with us, it is important to find out and document in broad terms what does the customer intend to do. For example, are there any specific sectors or stocks that the customer does not wish to participate in; is the customer intending to invest for short-term only or is the customer intending to invest for longer term; will investment be only in liquid scripts or any script; or any other special needs or requirements of the customer. This, along with customer's other information such as age, gender, occupation, knowledge of market, etc. will help us to develop a sense of the risk taking capacity and profile of the customer and thus guide the customer in more effective manner. At the same time, it will also help us to understand whether the customer should be classified as a low risk or a high risk customer from the KYC/CDD perspective.

In the above context, Abbasi & Company (Pvt) Limited will carefully determine the source of funding especially if the customer is expected to receive/send funds in foreign currency.

1.6 As it is already in practice and part of PSX regulations, that the all receipts/payments above Rs 25,000/= are made through cross - cheques, bank drafts, pay- orders or other crossed banking instruments. Where any cash is accepted from a customer in an exceptional circumstance only, it has to be immediately reported to the Exchange with clear reasons as to why the cash receipt was accepted by Abbasi & Company (Pvt) Limited.

1.7 Physical presence of the customer at the time of opening an account is necessary. In case of off-shore customers or customers in cities where no branch exist, appropriate procedures will be applied to ensure the identification of customer (e.g. third party verification, references etc.)

Furthermore, it is important when obtaining confirmation from third Parties in other jurisdictions, especially in foreign cases, that Abbasi & Company (Pvt) Limited will consider whether that foreign jurisdiction is following the Financial Action Task Force (FATF) recommendations.

2 RISK ASSESSMENT

2.1 As we have discussed assessment and categorization of customers as Low, Medium or High Risk profile above, 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 will be based on customer's identity, nature of income, source of funding, location/domicile of customer, etc.

According to the SECP, following factors will be categorized the customers into **HIGH RISK**:

- 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 business;
- 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

- 2.2 "Politically Exposed Persons" (PEPs'). PEP's also fall under **HIGH RISK CATEGORY**. 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. The above definition is not intended to cover middle ranking / junior officials in above noted categories. However, prudence requires Abbasi & Company (Pvt) Limited to be careful.
- 2.3 In general, please note that Abbasi & Company (Pvt) Limited will conduct a self assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented by virtue of its business model, types of customers and geographical placement.
- 2.4 Abbasi & Company (Pvt) Limited will assess the risk of potential money laundering / terrorism financing and the guidelines and this commentary will help in documenting such risk if we assess that it exists.

3. ENHANCED DUE DILIGENCE

- 3.1 Once a customer has been categorized as HIGH RISK, Abbasi & Company (Pvt) Limited will Enhance Due Diligence (EDD) when dealing with such a customer. Policies and procedures should be put in place so that activities and transactions of HIGH RISK customers are monitored and any unusual transactions are reported in a SUSPICIOUS TRANSACTION REPORT (STR).
- 3.2 In the above context, when dealing with high-risk customers, including Politically Exposed Persons (PEP's) either the Exchange member himself (in case of individual members) or nominee director/senior management of the corporate brokerage house, has to approve the opening of brokerage account. In the case of HIGH RISK CATEGORY customers, it is more important for Abbasi & Company (Pvt) Limited shall determine the source of wealth and funds invested.

The categorizing of customers in LOW, MEDIUM, HIGH RISK applies to all the customers, including existing customers. If an existing customer falls into the HIGH RISK CATEGORY, the above requirements for monitoring and reporting suspicious transactions and senior management approval for continuing with the customer will also apply to such customer(s)

- 3.3 If the above requirements could not be fulfilled then Abbasi & Company (Pvt) Limited shall not open the brokerage account of such person(s) and file a Suspicious Transaction Report (STR). In case an existing customer falls into HIGH RISK CATEGORY and is unable to provide relevant documents, such account should be closed and a Suspicious Transaction Report filed.
4. Similarly, brokerage account should not be opened if the Abbasi & Company (Pvt) Limited is unable to verify the identity of the customer / beneficial owner of the account, or if it is unclear what the purpose and intention of customer is and should file an STR. If there are any such existing accounts they should be closed and a Suspicious Transaction Report (STR) filed.

5. ON-GOING DUE DILIGENCE

- 5.1 Abbasi & Company (Pvt) Limited and its agents realizes that Customer Due Diligence (CDD) is not a one-time exercise at time of account opening only. In order to guard against misuse of their offices against criminal transactions Abbasi & Company (Pvt) Limited will be vigilant at all the times, and keep monitoring transactions of their customers to ensure that the transactions executed in any particular account are within the understanding of the Abbasi & Company (Pvt) Limited in terms of the customer's profile, risk category, historical pattern of the transactions and their historic funding source.
- 5.2 Abbasi & Company (Pvt) Limited shall keep all customer records updated and have a policy of assessing any change in customer profile on regular basis, which change should be documented and sufficient information should be obtained regarding such change.

6. SIMPLIFIED DUE DELIGENCE

- 6.1 Abbasi & Company (Pvt) Limited shall apply simplified or reduced CDD measures in the following circumstances:
- 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.
 - Adequate checks and controls exist.
- 6.2 Following customers may be considered for simplified or reduced CDD:
- Financial institutions which are subject to requirement 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.

6.3 While opting for simplified or reduced due diligence, the FATF guidelines were consulted. Simplified CDD shall not be followed when there is an identified risk of money laundering or terrorist financing.

7. COMPLIANCE FUNCTION

7.1 Abbasi & Company (Pvt) Limited constituted aforementioned KYC / CDD guidelines and shall develop process to implement these guidelines. This will help Abbasi & Company (Pvt) Limited to monitor customer transactions and report any suspicious activity in a timely manner. In order to achieve this objective two key elements shall be instituted:

- (i) Compliance Function with suitable human resource
- (ii) MIS reporting capability.

7.2 In this context, the person responsible for compliance should be designated and he/she should have sufficient skills and experience to effectively perform the compliance function. In case of individual members of the Exchange, they should identify the person who will be responsible for compliance. In the case of corporate members shall ensure compliance should be reported to the Board of Directors of the Corporate Brokerage House.

7.3 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.

8. DATA RETENTION

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

9. TRAINING

Ongoing training for Abbasi & Company (Pvt) Limited employees and agents shall be conducted to ensure that they understand their duties under KYC/CDD and are able to perform those duties satisfactorily.

10. SCREENING

To ensure, for our safety, Abbasi & Company (Pvt) Limited will have appropriate screening procedures when hiring and also on an ongoing basis to ensure high standards of staff in terms of honesty, integrity, ethics and professionalism. This is important not just for the sake of our own safety and reputation but the reputation of the Capital Market.

11. It should be noted that Abbasi & Company (Pvt) Limited are bound by the requirements of ANTI MONEY LAUNDERING ACT 2010, as applicable to them and must comply with the provisions of this Act. This includes filing of suspicious Transactions Reports and complying with any directives, circulars, guidelines with regard to KYC/CDD/Anti-Money Laundering/Terrorist Financing, issued by the Federal Government. Abbasi & Company (Pvt) Limited shall provide information concerning their customers and their transactions to the Pakistan Stock Exchange, Financial Monitoring Unit and the SECP.

CONCLUDING REMARKS

As the global economy becomes increasingly inter - connected and the ease of cross-border financial transactions increases, every country, including Pakistan, becomes more exposed to the potential of illegal money transfers and money laundering. It is to guard the Capital Market of Pakistan and its participants that the guidelines prescribed by SECP and this explanatory statement are being issued, as is already the case for other segments of the financial sector such as banks and asset management companies.

Abbasi & Company (Pvt) Limited will take serious note of the guidelines and this commentary and implement the same for the sake of their individual safety and reputation as well for ensuring the reputation, growth and future development of the country's Capital Market.



ABBASI & COMPANY (PVT) LTD

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FOR INTERNAL USE ONLY
KYC/CDD Checklist

Date	Account Title	Account / UIN #
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SECTION A

Minimum Information / Documents to be provided by Investor

1. Individuals/Sole Proprietorships	Pls tick	2. Partnerships	Pls tick	3. Institutions/Corporate	Pls tick
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 (if any)

Completed by:	NAME OF SALES PERSON /AGENT	Signature	Date
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Checked by:	NAME OF COMPLIANCE PERSON	Signature	Date
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