

Know Your Customer (KYC) / Customer Due Diligence (CDD) Policy

INTRODUCTION

These policies shall be called the Askari Securities Ltd's Know Your Customer ("KYC") and Customer Due Diligence ("CDD") Policies. These policies have been formulated in the light of KYC and CDD Guidelines provided by the Securities & Exchange Commission of Pakistan ("SECP") and Karachi Stock Exchange ("KSE").

KYC & CDD POLICY OUTLINE

Key areas that these policies will cover include:

1. Customer Identification
2. Risk Assessment
3. Diligence, On-going, enhanced and simplified due diligence
4. Compliance
5. Data retention
6. Training

1. CUSTOMER IDENTIFICATION

- 1.1 The Company shall ensure that no anonymous accounts or accounts that are obviously in the name of fictitious persons are opened or maintained. In order to ascertain the identity of the real controlling party of the trading account the Company shall collect all relevant information and documents.
- 1.2 Personal appearance is essential, however, if the client cannot approach any of the Company's offices he/she may be identified through skype, if possible, in addition to obtaining of all necessary documents.
- 1.3 It is important to recognize if a customer is acting on behalf of another person. If this is the case, then the identity of that person should be ascertained and relevant documents of that person needs to be obtained also.
- 1.4 Verification of CNIC/NICOP through "Verisys" by NADRA is compulsory. If the customer is a foreigner, the copy of the passport (attested by the concerned Embassy in Pakistan) will be obtained.
- 1.5 For non-individual customers (e.g. companies, firms, pension funds, non-profit organizations, government owned entities, foreign companies/organizations etc.) additional care has to be taken to know who actually owns the organization and who manages it. In this respect the Company shall obtain all necessary documents (e.g.

Memorandum & Articles of Association, trust deed (for trust) latest Form 29, Form A, Certificate of Incorporation, Certificate of Commencement of Business etc).

- 1.6 The Company shall verify that the person who represents himself as an authorized signatory of the non-individual customer with powers to open and operate the brokerage account is actually authorized by the organization and in this respect the Company shall obtain the copy of the Board Resolution duly certified by the Company Secretary.
- 1.7 The Company 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.
- 1.8 The Company shall obtain information regarding the source of funding of the customer and mention it in the relevant section of the Account Opening Form.
- 1.9 Information regarding Annual Income must be obtained and mentioned in the relevant section of the Account Opening Form.
- 1.10 The Company must ensure that all receipts and payments to the customers above the prescribed threshold must be through crossed cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it becomes necessary for the Company to accept cash from a customer, reporting of such instances with rationale should be made immediately to the exchange.
- 1.11 The Company shall not accept cheques, other than client's own bank accounts.
- 1.12 Email Address and Cell number shall be mandatory for opening of account.
- 1.13 After opening of account a welcome letter will be sent by courier for the confirmation of address.
- 1.14 If the permanent address is different from the one mentioned in the CNIC/NICOP then ownership documents of the new permanent address must be obtained.
- 1.15 No person other than the Account Holder(s) will be allowed to operate the account without a Power of Attorney from the Account Holder(s) on a non-judicial stamp paper.
- 1.16 All documents (applicable) will be obtained from the customer before opening of the account.

- 1.17 Copies of CNICs of the witnesses will also be obtained before opening of account.
- 1.18 If the customer provides his/her signature in the Account Opening Form which is different from the signature on the CNIC/NICOP then the customer must sign an undertaking (as per Company's specified format) confirming the difference of his/her signature.
- 1.19 While establishing business relationship with the high-risk customers such as Politically Exposed Persons, Non-resident customers, non-governmental organizations ("NGOs"/not-for-profit organizations ("NPOs"), trusts/charities, senior government, judicial or military officials, senior executives of State Corporations and their family members and close associates, approval shall be obtained from the Chief Executive Officer.
- 1.20 The KYC/CDD Form shall be filled-in and signed by designated account opening officers and will be kept with the Account Opening Form.
- 1.21 Minimum documents to be obtained from the customers will be:

a. Individuals/Sole Proprietorships:

- (i) CNIC (For Resident)/NICOP (For Non-Resident) of the Main Account Holder
- (ii) CNIC (For Resident)/NICOP (For Non-Resident) of the Joint Holder and/or Nominee
- (iii) CNICs/NICOPs of witnesses
- (iv) Passports of the Account Holder, Joint Holder and/or Nominee (in case of Foreigners)
- (v) CNIC (For Resident)/NICOP (For Non-Resident) of the Attorney (if applicable)
- (vi) Proof of Employment / Business
- (vii) NTN Certificate where available

b. Partnerships:

- (i) CNICs/NICOPs of all partners, as applicable
- (ii) CNICs/NICOPs of witnesses
- (iii) Partnership Deed
- (iv) Latest Financial Statements
- (v) Certificate of Registration (in case of registered partnership firm)
- (vi) NTN Certificate

c. Institutions/Corporates

- (i) CNICs/NICOPs of Authorized Signatories and Directors
- (ii) CNICs/NICOPs of witnesses
- (iii) List of Directors and Officers
- (iv) NTN Certificate
- (v) Documentary Evidence of Tax Exemption (if applicable)
- (vi) Certificate of Incorporation
- (vii) Certificate of Commencement of Business
- (viii) Certified Copy of Board Resolution
- (ix) Memorandum & Articles of Association/Bye Laws/Trust Deed
- (x) Audited Accounts of the Company

d. Trusts:

- (i) CNICs of all trustees
- (ii) CNICs/NICOPs of witnesses
- (iii) Certified copy of the Trust Deed
- (iv) Latest financials of the trust
- (v) Documentary Evidence of Tax Exemption (if applicable)
- (vi) Trustee/Governing Body Resolution

e. Clubs/Societies and Associations:

- (i) Certified copy of Certificate of Registration
- (ii) List of Members
- (iii) CNICs/NICOPs of members of Governing Board
- (iv) CNICs/NICOPs of witnesses
- (v) Certified copy of bye laws/rules and regulations
- (vi) Copy of latest financials of Society/Association
- (vii) Board/Governing Body Resolution

f. Executors/Administrators:

- (i) CNICs of all Executors/Administrators
- (ii) Certified copy of Letter of Administration

2. RISK ASSESSMENT

- 2.1 A Risk Assessment shall be done on the basis of information obtained at the time of account opening i.e. customer's identity, nature of income, source of funding, location of customer, etc. and shall be updated on the basis of information obtained during the relationship and doing business with the customer.

2.2 Following factors categorize the customer into High Risk Category:

- a. Non-resident customers;
- b. Legal persons or arrangements including non-governmental organizations ("NGOs")/not-for-profit organizations ("NPOs") and trusts/ charities;
- c. Customers belonging to countries where KYC/CDD and anti-money laundering regulations are lax or if funds originate or go to those countries;
- d. Customers whose business or activities present a higher risk of money laundering such as cash based business;
- e. Customers with links to offshore tax havens;
- f. High net worth customers with not clearly identifiable source of income;
- g. There is a reason to believe that the customer has been refused brokerage services by another brokerage house;
- h. Non-face-to-face/on-line customers;
- i. Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying Financial Action Task Force ("FATF") recommendations; and
- j. Politically Exposed Persons ("PEPs") or customers holding public or high profile positions.

2.3 Politically Exposed Persons ("PEPs") 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.

2.4 While establishing business relationship with the high-risk customers including the PEPs approval shall be obtained from the Senior Management.

2.5 When the Company is not able to identify and verify the identity of the customer and the beneficial owner or is not able to obtain adequate information it should not open the account.

3. COMPLIANCE FUNCTION

3.1 Before opening of account the Account Opening Officer shall submit the Account

Opening Form and all relevant documents with the Compliance Department for final checking.

- 3.2 No account shall be opened without approval of the Compliance Department.
- 3.3 The Compliance function shall ensure compliance with the requirements of these policies as well as other regulatory requirements applicable on the stock exchange members under the relevant legal framework. A record should be maintained of all violations/non-compliances identified and reported to the Chief Executive Officer.

4. DATA RETENTION

- 4.1 The Company 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.
- 4.2 The Company shall ensure that the customer records are updated with due care and proper documentation must be done and sufficient information is obtained regarding any significant change in the customer profile.

5. TRAINING

The Company shall conduct employees' training sessions, from time to time, to ensure that the employees understand their duties and are able to perform the same on a satisfactory level.