

**POLICIES & PROCEDURES  
FOR  
KNOW YOUR CUSTOMER (KYC)  
AND CUSTOMER DUE  
DILIGENCE (CDD)  
AML CFT COMPLIANCE**

#	Particulars	Page no
1	Introduction	03
2	Objective	03
3	The Policy	04
4	Responsibilities	04
	(I) Senior Management	04
	(II) Head of Compliance	04
	(III) Employees	05
5	Verification of Identity	06
6	Documentation	10
7	Review and Monitoring	10
	(I) Ongoing Due Diligence	10
	(II) Updating Customer Information	10
	(III) Annual Review	10
	(IV) Dormant Accounts	11
	(V) Retrieval of Documents	11
	(VI) Transaction Monitoring	11
8	Key Steps for Trading	12
9	Glossary	13

## POLICY & PROCEDURES FOR KNOW YOUR CUSTOMER (KYC), CUSTOMER DUE DILIGENCE (CDD) COMPLIANCE

### 1- INTRODUCTION

1. This document covers BIPL Securities Limited (the Company or BIPL Securities) policies, procedures and practices regarding know your customer & customer due diligence.
2. Due to global threat of Money Laundering & Terrorist Financing, several intergovernmental bodies, UNSC, OFAC, etc. showed their concern about and issued various instructions/guidelines for proper implementation at our end.
3. The Apex capital market regulator, the SECP have provided comprehensive guidelines for Pakistan Capital Market Institutions regarding how to develop and implement policies & procedures that will help money laundering and also allow capital market institutions to monitor and remain alert regarding suspicious transactions and/ or parties who may be attempting to launder money.

The Document contains detailed KYC & CDD Policy compliance and would assist management and staff to fully understand their obligations. This would particularly help Company's front-end staff having direct interaction with the customers.

### 2- OBJECTIVES

**There are personal obligations on every member of management and staff that:**

1. It is an offence to assist anyone whom you know, or suspect to be in violation of rules and regulations.
2. If you know or suspect that a transaction is related to any illegal activity, you must report it to Compliance in order to get protection against a charge of knowingly assisting a criminal to violate the rules and regulations.
3. In case if you suspect violation of the rules and regulations in the course of your employment or business activity, you must report it, even if you are not handling the transaction or funds in question, otherwise you will be alleged for the offence of collusion.

The KYC and CDD procedures at the Company to help ensure regulatory include:

- The verification of new client identification and know your customer and his business
- Retention of records
- Recognition and reporting suspicions of violation of the rules and regulations
- Protect the entity and the capital market from the risk of doing business with any person

### 3- THE POLICY

It is the Policy of BIPL Securities Ltd that:

1. Regulatory obligations to prevent violation of the rules and regulations are met in full.
2. Positive management action will be exercised in order to minimize the risk of the Brokerage House's services being abused for the purposes of violation of the rules and regulations.
3. The Brokerage House will review relationship with a customer involved in violation of the rules and regulations.
4. Any customer relationship where the customer's conduct gives the Brokerage House reasonable cause to believe or suspect involvement with illegal activities will be reported by the Compliance Officer (CO) to the CEO after proper scrutiny / enquiry. The relationship may be terminated where it is established under the law that the customer has deposited illegal wealth.

#### PROCEDURES WILL BE MAINTAINED TO ENSURE THE FOLLOWING:

- That the identities of all persons conducting business with the Brokerage House are properly verified and sufficient information gathered and recorded to permit the Brokerage House to know
- its customer" and predict the expected pattern of business.
- Prospective business where material information cannot be obtained without a justifiable reason is declined.
- Potential new relationships that do not appear to be legitimate are declined.
- Transactions offered by equity account holders do not appear legitimate are declined.
- Records are retained to provide an audit trail and adequate evidence to the law enforcement agencies in their investigation.

### 4- RESPONSIBILITY

#### i. SENIOR MANAGEMENT IS RESPONSIBLE FOR:

- Day to day compliance with rules and regulations within all segments of the Company which they are responsible for.
- Ensuring that the CO is provided with prompt advice of unusual/suspicious transactions and other matters of significance.
- To seek a report from the Compliance Division annually relating to the Company's actions on actual cases of non-compliance.

#### II. THE COMPLIANCE OFFICER/HEAD IS RESPONSIBLE FOR:

- Ensuring that related staff is aware of their obligations and the Company's policies & procedures and that related staff are adequately aware of legal and regulatory requirements.
- Representing the Brokerage House to all external agencies in Pakistan in relation KYC and CDD compliance.
- Ensuring that all segments of the Brokerage House are complying with the stated policy.
- Preparing and presenting non-compliance reports annually to the Senior Management.
- Undertaking the internal review of all suspicions and determining whether or not such suspicions have substance and require disclosure.
- Advising Senior Management of any deviations from the policies and procedures that have been noted by Compliance Division during their reviews.
- Developing and maintaining policy in line with evolving statutory and regulatory obligations.

### iii. ALL EMPLOYEES ARE RESPONSIBLE FOR:

- Remaining vigilant to the possibility of violation of KYC and CDD requirements.
- Complying fully with all the KYC and CDD procedures in respect of customer identification, account monitoring, record keeping and reporting.
- Reporting all suspicions the Compliance Head for due diligence and onward reporting to the FMU.

## 5- VERIFICATION OF IDENTITY

### VERIFICATION OF IDENTITY/KNOW YOUR CUSTOMER KNOW YOUR CUSTOMER (“KYC”)

Proper account documentation and KYC procedures provide satisfaction and protection to the Company against unforeseen events and assist in establishing relationship in accordance with the Brokerage House’s policies. Getting maximum reliable information about the customer is the basic principle of good broking which enables the Brokerage House to do business with genuine customers. Staff should prudently ensure that all the necessary documents have been obtained at the time of account opening.

The Brokerage House has a statutory obligation to know its customers. This applies to every type of customer regardless of who they are, their personal status, or the type of account or service that they require. Knowing your customer means:

- Seeking evidence of identity and address and independently confirming that evidence at the start of a business relationship.
- Seeking information regarding the nature of the business of the customer, establishing sources of income.

All prospective customers for accounts with BIPL Securities Ltd. must be seen either face to face or spoken to over registered phone number and verified through other means like social media contact. The appropriate account opening and customer information forms must be completed and any additional interview notes must be obtained and retained on the customer file.

### CUSTOMER IDENTIFICATION – GENERAL PRINCIPLES

#### THE NEED TO VERIFY IDENTITY AND ADDRESS

The Brokerage House must verify the credentials of every customer when an account is first opened. This applies to all types of accounts.

#### COMPLETION OF ACCOUNT OPENING AND KNOW YOUR CUSTOMER FORMS

All prospective account holders must complete in full the Account Opening Form and provide the necessary documentary evidence of identity and financial information. If any column on either form is not applicable it should be marked as N/A, no section should be left blank. The introducer must also complete and sign the “Account Opening Form” and “Know Your Customer” form.

Any additional information obtained during the interview about the customer’s background and financial standing should be recorded by and kept in customer’s file.

#### COMPLETION OF ACCOUNT OPENING FORMALITIES AND AUTHORIZATION

No account will be opened until the Account Opening and Know Your Customer forms have been completed and all documents have been received and examined to ensure that they are valid. For example:

- the CNIC/NICOP/Passport is not expired;
- the mandatory documents are duly attested; and
- all documentary evidence, information and signatures are consistent;

### REPORTING OF SUSPICIOUS CIRCUMSTANCES

If there are any suspicious circumstances surrounding the opening or operation of any account, the matter must be reported immediately to the Compliance Head. If it is established that the transaction under review is suspicious, Compliance Head after due diligence and necessary checks will report the transaction to FMU.

### CUSTOMER IDENTIFICATION – WHO'S IDENTITY MUST BE VERIFIED

Establishing the identity of anyone who wishes to do business with the Brokerage House is vital. For all applicants the Brokerage House is required to be satisfied that:

- The person we are dealing with is who she/he says they are and resides at the address they have given;
- The sole trader, partnership, company we are dealing with is a legitimate business with a known address and represents legitimate owners.

Therefore, in respect of accounts for sole traders, partnerships and companies, it is necessary to verify the identity of the business entity and the key individuals who will be operating the account as well as those who are investing into the business or controlling it.

For joint accounts, the identity of all account holders must be established. This also applies to any authorized person, who is permitted by the account holder to operate the account. If the customer gives a mandate to an authorized person to operate the account, in such cases the identity of both the account holder(s) and third party should be obtained in line with the normal procedures set out above for personal customers.

### CUSTOMER IDENTIFICATION - ACCOUNT OPENING DOCUMENTATION

For each type of customer, certain documentation must be obtained and sufficient information gathered for us to be certain that:

- we know our new customer, having verified identity and address and understand the customer's business;
- the new customer has understood and accepted the Brokerage House's terms and conditions for the account;
- we are satisfied that the mandated individuals do have the authority of the account holder(s) to control the account; and
- we are satisfied that the account holder(s) and their business are legitimate.

Original identification documents must be seen, photocopied and retained in the customer's file. Care must be taken to ensure that the copies are clear and legible and that the copies are stamped, signed and dated to show that the originals have been seen. If there is any doubt about the legality or acceptability of any document, immediate reference must be made to Compliance Head.

### PROCEDURES WHERE IDENTIFICATION CANNOT BE COMPLETED

Business where all of the required information cannot be obtained will be declined. Exceptions will only be permitted on the decision of Compliance Head, who will determine whether there are genuine reasons for the information or documentation not being available. In cases where there are no valid explanations for the absence of the information or documentation, the circumstances must be reported as a possible suspicion.

### CIRCUMSTANCES FOR DECLINING NEW ACCOUNTS

New relationship that does not appear to be legitimate including those where the applicant does not supply essential documentation or proof of identity and address must be declined.

### MAINTAINING RECORD FOR THE ACCOUNTS OPENED AND CLOSED

Equity operation will keep a record of all accounts opened and closed. Equity operations Head will send a monthly report of all accounts opened and closed to the management. AOF and record of accounts opened and closed must be maintained for 5 years after the relationship has ended.

### KNOWING THE CUSTOMER'S BUSINESS

It is not sufficient only to identify the customer, it is also necessary to understand the customer's business and the use to be made of the account i.e. investment or trading account. Knowing the customer obviously includes knowing who the customer is and where he / she lives or conducts their business, but KYC is also about what the customer does, his/her/their financial circumstances and how the account will be used.

**DIRECTORS OF PRIVATE COMPANIES** must confirm whether they are the principal shareholders and, if not, the beneficial owners of the company must be identified.

KYC information is needed to establish a pattern of expected activity and can assist the Brokerage House:

- to recognize unusual transactions and thus protect the Brokerage House from fraud;
- and
- To recognize any unusual transaction that may give rise to suspicion.



## 6- DOCUMENTATION

### DOCUMENTATION REQUIREMENTS TO OPEN ACCOUNT

The following documents are required to be obtained as a minimum from the customers when they open account along with KYC and Account Opening Form.

No exception is allowed.

#	NATURE OF ACCOUNT	DOCUMENTS TO BE OBTAINED
1	Individuals/ Proprietorship	<ol style="list-style-type: none"> <li>1. Attested photo copy of Computerized National Identity Card (CNIC/NICOP) or Passport by a Gazetted Officer or an Officer of the Bank /DFI.</li> <li>2. In case the CNIC / NICOP does not contain a photograph please obtain other document such as Driving License, etc. that contains a photograph.</li> <li>3. In case of a salaried person, attested copy of his service card, or any other acceptable evidence of service, including, but not limited to a certificate from the employer (does not apply to proprietorship).</li> </ol>
2	Partnership	<ol style="list-style-type: none"> <li>1. Attested photo copy of National Identity Card of all partners.</li> <li>2. Attested copy of "Partnership Deed" duly signed by all partners of the firm.</li> <li>3. Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact should be clearly mentioned on the Account Opening form.</li> <li>4. Authority Letter, in original, in favor of the person authorized to operate the account of the firm.</li> </ol>
3	Joint Stock Companies	<p>Certified copies of:</p> <ol style="list-style-type: none"> <li>1. Resolution of Board of Directors for opening. Of account specifying the person(s) authorized to operate the company account.</li> <li>2. Memorandum and Articles of Association.</li> <li>3. Certificate of Incorporation.</li> <li>4. Certificate of Commencement of Business.</li> <li>5. Attested photo copies of national identity cards of all the directors</li> <li>6. List of Directors on Form 29 issued by the Registrar Joint Stock Companies</li> </ol>
4	Clubs, Societies & Associations	<p>Certified copies of:</p> <ol style="list-style-type: none"> <li>1. Certificate of Registration</li> <li>2. By-laws/Rules &amp; Regulations</li> <li>3. Resolution of the Governing</li> </ol>

#	NATURE OF ACCOUNT	DOCUMENTS TO BE OBTAINED
		<p>Body/Executive committee for opening of account authorizing the person(s) to operate the account and attested copy of the identity card of the authorized persons.</p> <p>4. An undertaking signed by all the authorized persons on behalf of the institution mentioning that when any change takes place in the persons authorized to operate the account, the banker will be informed immediately.</p>
5	Trust Account	<ol style="list-style-type: none"> <li>1. Attested copy of Certificate of Registration.</li> <li>2. Attested photo copy of identity cards of all the trustees.</li> <li>3. Certified copy of the "Instrument of Trust".</li> </ol>
6	Foreigners	<ol style="list-style-type: none"> <li>1. Copy of embassy-verified Passport.</li> <li>2. Evidence of SCRA.</li> </ol>



## 7- REVIEW AND MONITORING

### REVIEWING AND MONITORING CUSTOMER ACCOUNTS

#### i. THE ONGOING CUSTOMER DUE DILIGENCE

It is not only prospective customers who may put the Brokerage House at risk. Occasionally, customers may seek deliberately to build up a degree of trust before they use the Brokerage House for other purposes; others may turn to crime because of a change in their personal circumstances. It is possible, therefore, that some existing customers may become deliberately or unintentionally involved in violation of the rules and regulations. It is, therefore, vital that all staff is vigilant and that all unusual transactions for any customers are identified, discretely researched and, where there is a suspicion of violation of rules and regulations, a report is sent to the Compliance Head.

The foundation of any monitoring procedure lies in the initial collection of identification and “know your customer” information.

The nature of the business that a customer expects to conduct must be ascertained when the account is opened and regularly updated. This will enable management and staff to judge whether the customer’s transactions are in line with expectations or whether unusual transactions give cause for concern and possible suspicion that criminal money may be involved.

The initial period of any new customer relationship presents the greatest vulnerability and, therefore, warrants additional monitoring procedures. Once the initial period (up to the first three months) is over, ongoing routine monitoring covering all transactions becomes the norm.

#### ii. UPDATING KNOWLEDGE OF THE CUSTOMER

Staff members need to keep themselves up to date about the customer with particular reference to:

- documenting the customer's broking habits and patterns of transactions;
- documenting events or changes that are considered important for a sound knowledge of customers and their activities;
- noting customers with particularly large sums being credited to / debited from their accounts;
- providing easy and immediate access to customer and KYC information for the Compliance Head; and
- ensuring that the true beneficial owner and source of all funds is known.

#### iii. ANNUAL REVIEW OF ACCOUNTS

All dealers are responsible for monitoring the activity on their customer’s accounts in accordance with their knowledge of the customer’s business and the expected activity on those accounts. During the review, dealers should check that all transactions are in line with expected activity and that new information have been recorded.

#### iv. DORMANT / INACTIVE ACCOUNTS

In case where the operation of dormant/inactive account is activated after a lapse of more than six months, dealers must verify the authenticity of the account holder. Dealers must ensure that the transaction in question is in line with the information provided previously.

#### v. RECORD KEEPING / DOCUMENT RETENTION

Records are to be retained to provide an audit trail and adequate evidence for the law enforcement agencies in their investigations. The minimum retention periods to comply with are:

- Account opening records and documentary evidence of identity - at least 5 years after the account is closed;
- Account ledger records - at least 5 years; and
- Individual transaction records - at least 5 years.

#### vi. RETRIEVAL OF DOCUMENTS

Subject to the minimum retention periods specified, documents that are required under court order must be capable of being retrieved and produced within five working days of the date when the order was served.

#### vii. TRANSACTION MONITORING

The most important safeguard against violation of the rules and regulations is the ability to detect suspicious transactions and to take further action to prevent recurrence of such transactions.

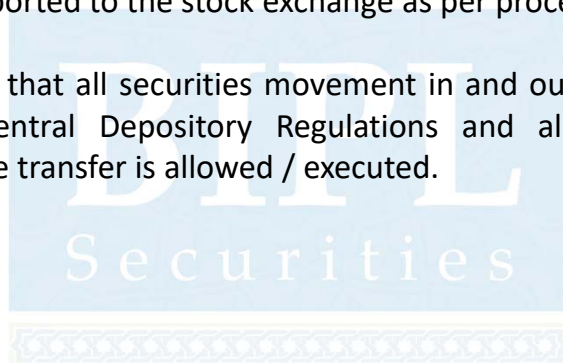
#### Violation of the rules and regulations using cash transactions:

- Unusually large cash deposits made by a customer.
- Customers transferring large sums of money to or from overseas locations.
- Substantial increase in cash deposits of any individual or business without apparent cause, especially if such deposits are subsequently transferred, within a short period.
- Customers who deposit cash by means of numerous credit slips, so that although each individual deposit is small in nature, the total of all credits is significant.

## 8- KEY STEPS FOR TRADING

Key steps to ensure on going due diligence and monitoring:

- 1) Only cross checks/other banking instruments originating from customer's own account shall be accepted and no third party check or other banking instrument will be accepted from a client.
- 2) No payment will be made in the name of any person, other than the accountholder/joint accountholder(s) if requested in writing.
- 3) Payment will only be accepted through formal banking channel. Provided that cash will be accepted up to PKR 25,000. If a client makes repeated payments of cash, the same shall be reported to the CO.
- 4) If a customer deposits cash in excess of PKR 25,000 directly in Company's bank account, the same shall be reported to the stock exchange as per procedure.
- 5) It will be ensured that all securities movement in and out of any account is strictly in compliance with Central Depository Regulations and all related documentation is completed before the transfer is allowed / executed.



## 9 - GLOSSARY

<b>AML</b>	Anti Money Laundering
<b>CDC</b>	Central Depository Company
<b>CDD</b>	Customer Due Diligence
<b>CFT</b>	Combating Financing Terrorism
<b>CNIC</b>	Computerized National Identity Card
<b>CO</b>	Compliance Officer
<b>FMU</b>	Financial Monitoring Unit
<b>KYC</b>	Know Your Customer
<b>NICOP</b>	National Identity Card for Overseas Pakistanis
<b>OFAC</b>	Office of Foreign Asset Control
<b>SCRA</b>	Special Convertible Rupee Account
<b>UNSC</b>	United Nations Security Council