



# SAIMA QAISER SECURITIES (PVT) LTD.

23-1<sup>ST</sup> FLOOR, TAJ ARCADE, 73-JAIL ROAD, LAHORE.

## **KYC/CDD POLICY & PROCEDURES**

### **Introduction**

KYC Stands for “Know Your Customer “and a ‘Customer ’ is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person is engaged in the transaction or activity is acting.

KYC policy is an important step developed globally to prevent identity theft, financial fraud, money laundering and terrorist financing. The objective of KYC is to enable the brokerage houses to know and understand their customers better and help them manage their risks prudently and to prevent the brokerage house from being used. KYC is a regulatory and legal requirement and KYC policies are framed by respective brokerage houses incorporating the key elements following the SECP & Exchange Circulars / Directives such as customer identification procedures & monitoring of transactions and risk management. The process of KYC entails identifying the customer and verifying the identity by using reliable and independent documents or information. While opening of accounts the brokerage houses collect documents to identify and verify the customers.

**Saima Qaiser Securities** (Hereinafter referred to as “**SQS/The Company**”) has formulated a **Know your Customer / Customer Due Diligence policy**, referred here as “**KYC/CDD Policy**”, based on the criteria and in accordance with the guidelines as specified by SECP and PSX. It further explains how to ensure the identity of the clients, who initiates relationship with **SQS** and how to maintain and update the KYC/CDD measures for existing customers.

This KYC/CDD policy has been approved by the Board of Directors of **SQS** and the Board has authorized the CEO to approve any subsequent amendments or modifications associated with this policy.

For better services to our customers, **SQS** has also developed and put into place a “KYC/CDD check list Form” which classifies the categories of KYC/C DD for both individual and institutional clients. This form is attached as **Appendix I** and shall be considered as integral part of KYC/CDD Policy.

While developing the KYC/CDD policies and framework, International best practices, recommendations from the relevant bodies such as Financial Action Task Force (FATF) must be taken into account.

### **Areas of Coverage**

Following key Areas has been covered:

- a. Customer Identification
- b. Risk Assessment of Customer
- c. Circumstances where Enhanced Due Diligence is required
- d. On-going Due Diligence
- e. Circumstances where simplified Due Diligence can be adopted
- f. Compliance Function
- g. Data retention
- h. Training and Employee Screening



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### **Customer Identification**

Customer identification is very important which defends the Company from being used by unscrupulous and / or criminal elements. **SQS** shall ensure that no anonymous accounts or accounts that are obviously in the name of fictitious persons are opened or maintained. The Company must take all reasonable steps to confirm the true identity of the prospective client and to collect all relevant information to ascertain the identity of the real controlling party of the trading account. For this purpose The Company may obtain minimum information/set of documents (detail of which is given in Annexure-II) from various type of customers as prescribed by SECP from time to time and any additional documents where considered necessary.

**SQS** shall determine whether a customer is acting on behalf of another person. In such cases steps should be taken and all the relevant documents should be obtained to determine the true identity of that person.

For legal persons, the Company must take reasonable measures to understand the beneficial ownership and control structure of the customer. For this purpose, the Company shall seek to identify the real person with controlling interest and who constitute the mind and management of the legal person or arrangement.

For legal persons, the Company shall verify that person claiming to act on behalf of the customer is indeed authorized.

**SQS** 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 is to be operated by an officer of the Federal / Provincial / Local Government in his / her official capacity, shall be opened only production of a special resolution / authority form the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government.

**SQS** should obtain and document sufficient information on the purpose and intended nature of the account to be opened / maintained with them and develop a profile of the customer based on results of customer identification and the risk assessment. Information regarding the intended investment plan of the customer must also be obtained to the extent possible and should be documented.

**SQS** must obtain sufficient information to determine the expected source of funding for the account, particularly whether the client shall be receiving / remitting funds in foreign currency.

In addition to the requirements mentioned above, **SQS** must ensure that all receipts and payments to the customers above Rs.25, 000/= must be through cross 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 with clear reason as to why the cash receipt was accepted.

**SQS** shall ensure physical presence of the customer at the time of opening of account. In case of non-resident/overseas clients or clients in cities where the Company does not have a branch office more strong identity verification procedures should be applied. These include verification by a reliable third party, confirmation from another broker with whom the customer had an account etc. When obtaining confirmation



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from the third parties in different jurisdictions the Company must consider whether that jurisdiction is following the Financial Action Task force (FATF recommendations.)

### **Risk Assessment**

SQS must perform a risk assessment of all the existing and prospective customers on the basis of information obtained regarding their identity, nature of income, source of funding, location/domicile etc. and based on the results of such assessment, categorize the customers among high risk, medium risk and low risk customers.

SQS shall formulate clear guidelines for identification of **HIGH RISK CUSTOMERS** which include:

- i. Non-resident customers;
- ii. Legal persons or arrangements including non -governmental organization; (NGOs) / not-for-profit organizations (NPOS) and trusts /charities.
- iii. Customers belonging to countries where CDD/KYC and antimoney laundering regulations are lax or if funds originate or go 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 recommendation; and
- x. Politically Exposed Persons (PEPs) or customers holding public or high profile positions.

**“Politically Exposed Persons”** (PEPs) also falls under **High Risk Category** these individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, and senior executives of state owned corporations, important political party officials, Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories.

In general, SQS should conduct a self-assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented by virtue of Company’s business model, types of customers and geographical placement.

The bottom line is that the Company needs to assess the risk of possible money laundering / terrorism financing and the guidelines and this statement will help in documenting such risk if the company assesses that it exists.



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### **Enhanced Due Diligence**

**SQS** should apply Enhanced Due Diligence (EDD) when dealing with High-Risk customers. Appropriate Policies and Procedures must be created and put in place to ensure that activities and transactions of High Risk customers are adequately monitored and any unusual transactions are reported in a **SUSPICIOUS TRANSACTION REPORT (STR)**.

When dealing with High-Risk customers including Politically Exposed Persons (PEPs) **SQS** should:

- i. Obtain senior management approval for establishing business relationships with such customers. The same shall also apply in case of an existing customer which is classified as High-risk pursuant to these guidelines or which is subsequently classified as result of on-going due diligence.
- ii. Take reasonable measures to prove the source of wealth and funds invested by these customers.

If the Company is unable to comply with the above requirements then it should not open the brokerage account, or should terminate the business relationship, as the case may be and should submit a Suspicious Transaction Report (STR).

### **Suspicious Transaction Report**

Similarly, When **SQS** is not able to identify and verify the identity of the customer / beneficial owner of the account or is not able to obtain adequate information regarding the purpose and intended nature of the customer relationship, it should not open the brokerage account, commence customer relationship or in the case of an existing customer should terminate the relationship and consider the filing of a Suspicious Transaction Report (STR).

### **On Going Due Diligence**

**SQS** and their agents must realize that Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. The Company should ensure that on-going Due Diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transaction executed in a particular account are consistent with our knowledge of the customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account.

In the above context, **SQS** shall ensure that the customer records are updated at regular intervals and sufficient information may be obtained regarding any significant change in the customer profile.

### **Simplified Due Diligence**

The Company knows that the purpose of CDD / KYC guidelines is not to make broker operations unnecessarily difficult to handle but give assistance to them to keep an eye against their services from being used for money laundering by unscrupulous elements.



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SQS shall apply simplified or reduced CDD measures in the following circumstances:-

- i) Risk of money laundering or terrorist financing is lower.
- ii) Information on the identity of the customer and beneficial owner of a customer is publicly available.
- iii) Adequate checks and controls exist.

Accordingly, the following customers may be considered for simplified or reduced CCD.

- 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

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

### **Compliance Function**

It is important that SQS should set up a compliance function to implement these guidelines with suitable human resource and MIS reporting capabilities, enabling it to effectively monitor the client's transactions and make timely reports of any suspicious activity.

The Compliance Officer function must have skills and experience necessary for satisfactory performance of functions assigned and must be independent and report directly to the Director / CEO.

The Compliance function shall ensure compliance with the requirements of these guidelines as well as other regulatory requirements applicable on SQS under the relevant legal framework. A record should be maintained of all violations / non-compliance identified and reported to Board of Directors and must be available for the inspection of Commission and Exchange as and when required.

### **Data Retention**

SQS shall maintain the relevant documents obtained through the application of KYC/CDD procedure, especially those pertaining to identification of the identity of a customer account files and correspondence exchanged with the customer(s) for a minimum period of five years.

### **Training**

SQS should develop an on-going training program for his employees and agents to ensure that they understand their duties under CDD / KYC and are able to perform the same on satisfactory level.



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### **Screening**

In order to ensure, that unscrupulous elements do not become employees / agents, **SQS** shall formulate and implement appropriate screening procedures to check high standards while hiring of staff, however, the screening process must be an ongoing exercise and applied consistently to ensure that employees, particularly those working at sensitive positions, meet and maintain high standards of integrity, ethics and professionalism and this is important not just for the sake of our own safety and reputation but also for the reputation of the Capital Market.

**SQS** must provide any information pertaining to its clients and their transactions to the Exchanges, Financial Monitoring Unit or the Commission as and when required.

### **Other Requirements**

**SQS** must comply with the requirements of Anti Money laundering Act. 2010 as applicable, including the requirement to file Suspicious Transaction Reports and any directives, circulars, guidelines issued in this regard by Federal Government, Financial Monitoring Unit and 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 possible illegal money transfers and money laundering. It is to guard the Capital Market of our Country and its participants that guidelines prescribed by SECP and this explanatory statement are being issued, as is already the case for other segments of the financial sector such banks and asset management companies. It is expected that we will take serious note of these guidelines and statement and implement the same for sake of our own safety and reputation as well as ensuring the reputation, growth and future development of our Capital Market.



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S. No	Type of Customers	Information Required	Documents Required
1.	Individuals /Sole proprietor ship	Name and Father's Name Address Mobile /Telephone Number(s) 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 Proof 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 Resolution authorizing investments Copy of latest financials of partnership
3.	Companies (Institutional and Corporate)	Name of Company and its Directors Registered Address Telephone number (s) Contact persons Registered number & NTN	Copy of CNIC/ passport of all Directors Audited Accounts of the company Memorandum and Article of Association 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 / Governing 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 Certified copy of Trust Deed Trustee / Governing 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 & Telephone 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)



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### **BOARD RESOLUTION**

The Following resolution was passed by the Board of Directors of M/s Saima Qaiser Securities (Pvt.) Limited in their meeting held on 31-10-2018 at their registered Head Office situated at Office No.23, 1<sup>st</sup> Floor, Taj Arcade, 73-Jail Road, Lahore and has duly recorded in the minutes/meeting book of the said company.

Resolved that Board of Directors of M/s Saima Qaiser Securities (Pvt.) Limited has unanimously approved the KYC/CDD Policy as per the rules and regulations as mentioned in the rule book of PSX/SECP/NCCPL and to implement this KYC/CDD Policy rules on all persons/clients desirous to open account with M/s Saima Qaiser Securities (Pvt.) Limited.

Further Resolved that certified copy of this resolution is communicated to the management of the Exchange for their record.

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Director/CEO

\_\_\_\_\_  
Director