



**INSIGHT SECURITIES (PRIVATE) LIMITED**

**KNOW YOUR CUSTOMER (KYC) & CUSTOMER DUE DILIGENCE  
(CDD) POLICIES & PROCEDURES**

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## **1. INTRODUCTION**

Know Your Customer “KYC” & Customer Due Diligence “CDD” 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.

INSIGHT Securities (Private) Limited (ISPL) has formulated a Know Your Customer / Customer Due Diligence policy, referred here as “CDD/ KYC policy”, based on the criteria/ guidelines specified in the Karachi Stock Exchange Limited (KSE) Notice No. KSE/N-1388 dated March 16, 2012.

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.

## **2. SCOPE**

The scope of CDD/ KYC policy is to establish reasonable measures to know about the customers of ISPL, whether individual or institutional, in accordance with the stated guidelines of Know Your Customer and Customer Due Diligence.

The KYC policy has been developed keeping in view the requirements of CDD/ KYC for the broking clients of ISPL only and therefore the scope of the policy is not applicable for the clients other than broking services.

## **3. 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

#### **4. CUSTOMER IDENTIFICATION**

Customer identification is very important which defends the Company from being used by unscrupulous and / or criminal elements. ISPL shall ensure that no anonymous account(s) 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 below) from various type of customers as prescribed by SECP/KSE from time to time and any additional documents where considered necessary.

ISPL 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. Further, the Company shall verify that person claiming to act on behalf of the customer is indeed authorized.

ISPL 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.

ISPL 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, ISPL 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. Further, third party cheques shall be strictly prohibited.

The account opening department (AMD) is instructed to open the account of only those clients who either appeared in person at the time of opening of the account or they are verified through visiting their residence. If any client cannot appear in person due to some limitations, then it is instructed that a third-party verification of that person should be carried out by the department in order to confirm the originality of the prospect client. This section will apply for all foreign and local clients. All these procedures must also be applied for the verification of authorized persons in case of Corporate and other institutional clients.

ISPL shall obtain minimum information/ set of documents from various types of customers, detail of which are as follows;

S. No	Type of Customer	Information Required	Documents Required
1	Individuals / Sole Proprietorship	<ul style="list-style-type: none"> <li>Name &amp; Father Name</li> <li>Permanent &amp; Mailing Address</li> <li>Telephone Number(s)</li> <li>Source of Income</li> <li>Nationality &amp; NTN</li> </ul>	<ul style="list-style-type: none"> <li>Copy of CNIC or passport</li> <li>Detail of Business / Employment Proof</li> <li>Zakat Exemption Certificate (If Applicable)</li> </ul>
2	Partnership based Entity	<ul style="list-style-type: none"> <li>Name of Partnership Entity</li> <li>Names of Partners</li> <li>Father's Name of Partners</li> <li>Address of Partners Entity</li> <li>Telephone Number (s)</li> </ul>	<ul style="list-style-type: none"> <li>Copy of CNIC or passport of All Partners</li> <li>List of Authorized Signatories Along with copy of CNIC and Power of Attorney</li> <li>Resolution authorizing Investment</li> <li>Copy of Partnership Deed</li> <li>Copy of Latest Financials</li> </ul>
3	Companies (Institutional and Corporate)	<ul style="list-style-type: none"> <li>Name of Company and its Directors</li> <li>Registered Address</li> <li>Telephone Number(s)</li> <li>Contact Person</li> <li>Registration &amp; NTN Number</li> </ul>	<ul style="list-style-type: none"> <li>Copy of CNIC or passport of All Directors</li> <li>Copy of Audited Financials of Company</li> <li>Copy of Memorandum and Articles of Association</li> <li>Board resolution authorizing Investment</li> <li>Copy of Certificate of Incorporation / Commencement of Business (If Applicable)</li> <li>List of authorized signatories along-with copy of CNIC and power of Attorney</li> </ul>
4	Clubs, Societies and Associations	<ul style="list-style-type: none"> <li>Name of Club, Society or Association</li> <li>Registered Address of Club, Society or Association</li> <li>Telephone Number(s)</li> <li>Contact Person</li> </ul>	<ul style="list-style-type: none"> <li>Copy of CNIC or passport of Board Members</li> <li>Board / Governing Body resolution for Investment</li> <li>Copy of by-laws / rules and regulations</li> <li>Copy of Registration Certificate</li> <li>List of Authorized Signatory along-with copy of CNIC and Power of Attorney</li> <li>Copy of Audited Financials</li> </ul>
5	Trust including, but not limited to, Provident Fund, Gratuity Fund, Pension Fund, Mutual Fund, etc.	<ul style="list-style-type: none"> <li>Name of Trust, Fund, etc.</li> <li>Name of Trustee</li> <li>Address of Trust / Fund etc.</li> <li>Telephone Number(s)</li> <li>Contact Persons</li> </ul>	<ul style="list-style-type: none"> <li>Copy of CNIC or passport of All Trustees</li> <li>Copy of Trust Deed</li> <li>Trustee / Governing body Resolution for Investment</li> <li>Copy of Audited Financials</li> <li>List of Authorized Signatories along-with copy of CNIC and Power of Attorney</li> </ul>

6	Executors and Administrators	<ul style="list-style-type: none"> <li>• Name of Entity for Executor / Admin Appointed</li> <li>• Name of Executor / Administrator</li> <li>• Address and Telephone Number(s) of Entity</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of CNIC or passport of Executor / Administrator</li> <li>• Copy of Letter of Administrator</li> </ul>
7	Government Entities	<ul style="list-style-type: none"> <li>• Name of Government owned organization</li> <li>• Address of Government owned Organization</li> <li>• Telephone Number(s)</li> <li>• Contact Person</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of CNIC or passport of Authorized Officer</li> <li>• Resolution authorizing Investment</li> <li>• List of Authorized Signatories along-with copy of CNIC and Power of Attorney</li> </ul>

Further, the compliance Officer at the time of opening of account shall check the list of sanction UIN from the United Nations site (<https://scsanctions.un.org/consolidated/>) and if found the UIN in sanction list the account cannot be opened and report the same to SECP/NCCPL/PSX.

## 5. RISK ASSESMENT OF CUSTOMER

ISPL has structured few principles for the effective assessment of each and every customer which are as follows;

Each client should be assessed and marked a level of risk i.e. High, Medium or Low Risk Category. These levels are marked on the basis of their source of income & funds, their social status, their location or domicile and customer's identity;

Some categories of customers, as instructed by the SECP, should always be marked in High Risk Category. These customers include:

- Non-resident
- NGO's / NPO's / Trust / Charities
- Customers from the countries where CDD/KYC and AML regulations are lax or if funds originate or go to these countries
- Customers with business which involves high risk of money laundering
- Customers with links to offshore tax heavens
- High net worth clients with no clearly identifiable source of income
- Customers who ever refused for brokerage services by the other brokers
- Non-face to face customers
- Customers which have income sources or connections with the countries which are not applying FATF recommendations properly
- Politically exposed persons (PEPs)

## 6. ENHANCED DUE DILIGENCE

There could be some circumstances where an enhanced due diligence of the customer is required by the ISPL before opening the trading account. Policies for such circumstances are;

- Once a customer is marked as High Risk, it is necessary for the department to have Enhanced Due Diligence;
- Such customers should be under vigilance and any unusual transaction should be reported in a Suspicious Transaction Report (STR) to Financial Monitoring Unit (FMU);
- In case of High-Risk Clients including Politically Exposed Person the account opening should be approved by the one of the Directors or Higher Management Personnel of the brokerage house;
- Once a customer who was classified as Medium or Low Risk earlier, and then falls in High Risk Category afterwards due to any reason, then all the procedures which requires for the High-Risk Clients should be applied in order to form a transparent procedure for the transactions of this person and an enhanced due diligence should be applied on that customer.
- Special care must be taken if the funds received from client is in foreign currency and department must check that all proper and legally applied procedures are adopted while received these funds.

## 7. ON-GOING DUE DILIGENCE

- CDD is not a one-time process. Department should ensure that on-going due diligence on the customer relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with department's knowledge of the customer, its business, risk profile, historical pattern of transactions and source of funding.
- The department should also ensure that the customer's records are updated at regular intervals of the time and sufficient information is obtained regarding any significant change in the customer's profile.

## 8. SIMPLIFIED DUE DILIGENCE

The department shall apply simplified or reduced CDD measures in the following circumstances:

- Risk of money laundering or terror financing is lower
- Information on the identity of the customer and beneficial owner of the customer is publicly available
- Adequate checks and controls are in place

Following customers may be considered for the simplified CDD:

- Financial institutions which have proper money laundering controls in place and have acting upon FATF recommendations
- Public companies that are subject to regulatory disclosure requirements
- Government administration or enterprises

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

## **9. COMPLIANCE FUNCTION**

ISPL has a compliance function with suitable human resources and MIS reporting capabilities, enabling it to effectively monitor the client's transactions and make timely reports.

The head of compliance function must have skills and experience necessary for satisfactory performance of functions assigned. Head of Compliance must be independent and report directly to the Board of Directors.

The Compliance function shall ensure compliance with requirements of this policy as well as other regulatory requirements applicable on the company under the relevant legal framework. A record should be maintained for non-compliances and reported to BOD and all such records must be available to regulatory bodies for the purpose of inspection at any time.

## **10. DATA RETENTION**

ISPL shall maintain the relevant documents obtained through the application of CDD /KYC procedures, especially those pertaining to identification of the customer, account files and correspondences exchanged for minimum period of (05) five years.

Maintain proper records of customer identifications and clearly indicate in writing any exception in fulfilling CDD/ KYC measures. These exceptions will be referred to the CEO to decide future course of action.

## **11. TRAINING & SCREENING**

ISPL shall develop an on-going employee training program to ensure that the employees understand their duties and are able to perform the same on the satisfactory level.

ISPL shall develop and implement screening procedures to ensure high standards while hiring staff. However, the screening process must be an on-going exercise and must be applied consistently to ensure that employees, particularly those working on sensitive positions, meet and maintain high standards of integrity and professionalism.





## 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 <b>private company</b> , IS the latest shareholders' list available	YES	NO
3. In case of <b>Government Accounts</b> ,  Mark YES if the account is <b>not</b> 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
<b>If the answer to any of the above questions was 'NO', go to section G.3 or G.4, otherwise go to Section C</b>		

## SECTION C

Risk Category of Investor	Please tick box		
1. Government Department / Entity	<input type="checkbox"/>	<b>LOW RISK</b>	<i>Go to Section G.1</i>
2. Public listed company	<input type="checkbox"/>	<b>LOW RISK</b>	<i>Go to Section G.1</i>
3. Private limited company	<input type="checkbox"/>	<b>MEDIUM RISK</b>	<i>Go to Section G.2</i>
4. Non-Governmental Organization (NGO)	<input type="checkbox"/>	<b>HIGH RISK</b>	<i>Go to Section G.3</i>
5. Trust / Charity	<input type="checkbox"/>	<b>HIGH RISK</b>	<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

<b>Unlisted Private Financial Institution (NBFI)</b>		
Is the unlisted private financial institution domiciled in Pakistan and is regulated by the SECP/State Bank of Pakistan (SBP) <b>OR</b> 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
<b>If YES, proceed to Section G.1</b>		<b>If NO, proceed to Section G.3</b>

## SECTION E

<b>Individual</b>		
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
<b>If the response to any question (1-7) above was 'YES', proceed to Section G.3</b>		
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
<b>If the response to any question (8-9) above was 'YES', proceed to Section F, else proceed to Section G.1</b>		

## 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
<b>If YES, proceed to Section G.3</b>	<b>If NO, proceed to Section G.4</b>	

**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.

<b>CONFIRMATION of physical presence of customer when opening account</b>	<b>YES</b>	<b>NO</b>
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**Other Comments**

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<b>Completed by:</b>	<i>Name of Sales Person / Agent</i>	<i>Signature</i>	<i>Date</i>
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<b>Checked by:</b>	<i>Name of Compliance Person</i>	<i>Signature</i>	<i>Date</i>
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