

# Y.H SECURITIES (PVT) LTD

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

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## 1. Introduction

- 1.1 Y.H SECURITIES (PVT) LTD has formulated a Customer Due Diligence/ Know Your Customer policy, referred here as “CDD/ KYC policy”, based on the criteria/ guidelines Specified in the Securities & Exchange Commission of Pakistan (SECP) Circular No. 12 of 2009 dated April 28, 2009
- 1.2 The CDD/ KYC policy has been approved by the Board of Y.H in the meeting held on October 25, 2011. In the said meeting, the Board has authorized the CEO to approve any Subsequent amendments or modifications associated with this policy. Furthermore, it was also clarified that the first exercise conducted for CDD/ KYC measures, as required under clause 6.1.1 of this policy, shall be applicable for the calendar year(s) 2011, 2012, 2013 & 2014.
- 1.3 This policy defines different types of customers, their minimum required information & Documents along with the characteristics of High Risk Customers, who pose greater than Average risk of money laundering activities it further explains how to ensure the identity of the clients, who initiates relationship with Y.H and how to maintain and update the CDD/KYC measures for existing customers.
- 1.4 For better services to our customers, Y.H has also developed and put in place a “KYC Form” which classifies the categories of CDD/ KYC for both Individual and Institutional Clients are required to ensure that the Customer’s information (including Joint Account holders) shall be submitted to the Operations Department by duly submitting a KYC Form
- 1.5 The KYC Form is attached as Appendix I and shall be considered as integral part of CDD/KYC policy.

## 2. Scope

- 2.1 The scope of CDD/ KYC policy is to establish reasonable measures to know about the Customers of Y.H, whether individual or institutional, in accordance with the stated Guidelines by the Commission
- 2.2 The scope of the policy is concerned with the staff of Y.H and to those whose services are in place under the Distribution Agreements such as channel partners. For this purpose, training with respect to CDD/ KYC to the concerned staff of Y.H and channel partners shall be carried out on regular basis.
- 2.3 The KYC policy has been developed keeping in view the requirements of CDD/ KYC for the clients of Open end funds only and therefore the scope of the policy is not applicable for the investors of Close end funds.

**3. Type of Customers, Information & Documents Required**

3.1 Y.H shall obtain the minimum information/ set of documents from various types of Customers, detail of which are as follows;

S. #	Type of Customers	Information Required	Documents Required
1	Individuals / Sole proprietor Ship	<input type="checkbox"/> Name and Father's Name <input type="checkbox"/> Address <input type="checkbox"/> Telephone Number(s) <input type="checkbox"/> Sources of Income <input type="checkbox"/> Nationality & NTN <input type="checkbox"/> Guardian name (if Applicable) <input type="checkbox"/>	<input type="checkbox"/> Copy of CNIC or passport or attested copy of B form in case of Minor <input type="checkbox"/> Detail of Business / Employment Proof/Zakat Exemption Certificate (If Applicable) <input type="checkbox"/> <input type="checkbox"/> Guardian Certificate (If Applicable)
2	Partnership based entity	Name of Partnership Entity <input type="checkbox"/> Names of Partners <input type="checkbox"/> Father's Name of Partners <input type="checkbox"/> Address of Partnership entity <input type="checkbox"/> Telephone Number(s)	<input type="checkbox"/> Copy of CNIC/ passport of all Partners <input type="checkbox"/> Copy of CNIC of authorized signatories <input type="checkbox"/> List of Authorized signatories along with power of attorney <input type="checkbox"/> Resolution authorizing investments <input type="checkbox"/> Copy of latest financials of partnership
3	Companies (Institutional and Corporate)	<input type="checkbox"/> Name of Company and its Directors <input type="checkbox"/> Registered Address <input type="checkbox"/> Telephone number (s) <input type="checkbox"/> Contact persons <input type="checkbox"/> Registered number & NTN	<input type="checkbox"/> Copy of CNIC/ passport of all Directors <input type="checkbox"/> Audited Accounts of the company <input type="checkbox"/> Memorandum and Article of Association <input type="checkbox"/> Board Resolution authorizing investments <input type="checkbox"/> Certificate of Incorporation/ Commencement of Business <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney
4	Clubs, Societies and Associations	<input type="checkbox"/> Name of Club, Society or Association <input type="checkbox"/> Registered address of Club, Society or Association <input type="checkbox"/> Telephone numbers(s) <input type="checkbox"/> Contact Persons	<input type="checkbox"/> Board / Governing Body Resolution for investment <input type="checkbox"/> Certified copy of bylaws/ rules and regulations <input type="checkbox"/> Copy of CNIC of Board's members <input type="checkbox"/> Certified copy of certificate of Registration/ List of Authorized Signatories along with copy of CNICs and power attorney <input type="checkbox"/> Copy of latest financials
5	Trusts including, but not limited to, Provident Fund, Gratuity Fund, Pension Fund, mutual fund, etc.)	<input type="checkbox"/> Name of trust, Fund etc <input type="checkbox"/> Name of Trustee <input type="checkbox"/> Address of Trust/ Fund etc. <input type="checkbox"/> Telephone number(s) <input type="checkbox"/> Contact persons	<input type="checkbox"/> Copy of CNIC of all Trustees <input type="checkbox"/> Certified copy of Trust Deed <input type="checkbox"/> Trustee / Governing body Resolution for investment <input type="checkbox"/> Copy of the latest financials of the Trust <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney
6	Executors and Administrators	<input type="checkbox"/> Name of Entity for Executor/ Admin. is appointed <input type="checkbox"/> Name of Executor/ Administrator <input type="checkbox"/> Address of entity & Telephone Numbers	<input type="checkbox"/> Copy of CNIC of Executor/Administrator <input type="checkbox"/> Certified copy of the letter of Administration.
7	Government Entities	<input type="checkbox"/> Name of Government owned organization <input type="checkbox"/> Address of Government owned organization <input type="checkbox"/> Telephone numbers <input type="checkbox"/> Contact persons	<input type="checkbox"/> 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 <input type="checkbox"/> List of Authorized Signatories <input type="checkbox"/> Copy of CNIC of authorized officer(s) <input type="checkbox"/> Resolution authorizing investment

<b>KNOW YOUR CUSTOMER (KYC)</b>				
<b>RESPONSES</b>	<b>Main Applicant</b>	<b>Joint Holder-1</b>	<b>Joint Holder-2</b>	<b>Joint Holder-3</b>
NAME (as per CNIC / NICOP / Passport)				
1. QUALIFICATION	<input type="checkbox"/> Matric / O' Level <input type="checkbox"/> Inter / A' Level <input type="checkbox"/> Bachelors <input type="checkbox"/> Masters & Above	<input type="checkbox"/> Matric / O' Level <input type="checkbox"/> Inter / A' Level <input type="checkbox"/> Bachelors <input type="checkbox"/> Masters & Above	<input type="checkbox"/> Matric / O' Level <input type="checkbox"/> Inter / A' Level <input type="checkbox"/> Bachelors <input type="checkbox"/> Masters & Above	<input type="checkbox"/> Matric / O' Level <input type="checkbox"/> Inter / A' Level <input type="checkbox"/> Bachelors <input type="checkbox"/> Masters & Above
2. TYPE OF ACCOMODATION	<input type="checkbox"/> House <input type="checkbox"/> Apartment <input type="checkbox"/> Portion	<input type="checkbox"/> House <input type="checkbox"/> Apartment <input type="checkbox"/> Portion	<input type="checkbox"/> House <input type="checkbox"/> Apartment <input type="checkbox"/> Portion	<input type="checkbox"/> House <input type="checkbox"/> Apartment <input type="checkbox"/> Portion
3. RESIDENCE IS	<input type="checkbox"/> Owned <input type="checkbox"/> Rented <input type="checkbox"/> Mortgage <input type="checkbox"/> Parents <input type="checkbox"/> Company Provided	<input type="checkbox"/> Owned <input type="checkbox"/> Rented <input type="checkbox"/> Mortgage <input type="checkbox"/> Parents <input type="checkbox"/> Company Provided	<input type="checkbox"/> Owned <input type="checkbox"/> Rented <input type="checkbox"/> Mortgage <input type="checkbox"/> Parents <input type="checkbox"/> Company Provided	<input type="checkbox"/> Owned <input type="checkbox"/> Rented <input type="checkbox"/> Mortgage <input type="checkbox"/> Parents <input type="checkbox"/> Company Provided
4. SOURCE OF INCOME	<input type="checkbox"/> Salaried <input type="checkbox"/> Business <input type="checkbox"/> Others (Specify)	<input type="checkbox"/> Salaried <input type="checkbox"/> Business <input type="checkbox"/> Others (Specify)	<input type="checkbox"/> Salaried <input type="checkbox"/> Business <input type="checkbox"/> Others (Specify)	<input type="checkbox"/> Salaried <input type="checkbox"/> Business <input type="checkbox"/> Others (Specify)
5. GROSS ANNUAL INCOME	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000
6. SOURCE OF FUND FOR STOCK MARKET	<input type="checkbox"/> Loan / Borrowed <input type="checkbox"/> Own Investment	<input type="checkbox"/> Loan / Borrowed <input type="checkbox"/> Own Investment	<input type="checkbox"/> Loan / Borrowed <input type="checkbox"/> Own Investment	<input type="checkbox"/> Loan / Borrowed <input type="checkbox"/> Own Investment
7. KNOWLEDGE OF STOCK MARKET	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. INVESTMENT EXPERIENCE	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Limited <input type="checkbox"/> None	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Limited <input type="checkbox"/> None	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Limited <input type="checkbox"/> None	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Limited <input type="checkbox"/> None
9. EXPECTED VALUE OF INVESTMENT	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000	<input type="checkbox"/> < Rs. 100,000 <input type="checkbox"/> Rs. 100,001-500,000 <input type="checkbox"/> Rs. 500,001-1,000,000 <input type="checkbox"/> > Rs. 1,000,000
10. HAVE YOU OR ANY OF YOUR IMMEDIATE FAMILY MEMBER BEEN A BROKER / TRADER IN THE LAST SIX MONTH?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. INVESTMENT INTENTION	<input type="checkbox"/> Long term investment <input type="checkbox"/> Short term investment <input type="checkbox"/> Both	<input type="checkbox"/> Long term investment <input type="checkbox"/> Short term investment <input type="checkbox"/> Both	<input type="checkbox"/> Long term investment <input type="checkbox"/> Short term investment <input type="checkbox"/> Both	<input type="checkbox"/> Long term investment <input type="checkbox"/> Short term investment <input type="checkbox"/> Both

#### **4. Principles of CDD/ KYC**

- 4.1 Y.H has structured few principles for the effective implementation of KYC policy. These principles shall be applicable to all the existing and new customers, details of which are as follows;
- 4.1.1 Payment in cash or bearer instruments shall be strictly prohibited;
  - 4.1.2 Third party cheques shall be strictly prohibited;
  - 4.1.3 Any account which has zero balance for a period of more than one year will be Considered as “Dormant Account” and only after necessary CDD/ KYC verifications, The Customer is allowed to invest in the funds of Y.H;
  - 4.1.4 Government account shall not be opened in the personal names of the Government Official(s);
  - 4.1.5 Operation Department will provide the list of discrepant/ incomplete documents in Coordination with Transfer Agent to Investment Advisory Department within thirty Days

- after every calendar year, who shall obtain all required information / documents from existing customers;
- 4.1.6 CDD/ KYC measures shall be enhanced for High Risk Customers. Characteristics of High Risk Customers are given in Section 7 of this policy;
  - 4.1.7 Dealing with any Political Exposed Person or customers holding public or high Profile position, relationship with them should be established and/ or maintained With the approval of Senior Management of Y.H including if any existing customer Becomes holder of any public office or high profile position;
  - 4.1.8 For customers that are legal persons or for legal arrangements, Y.H is required to take reasonable measures to understand (i) the ownership and control structure of the Company (ii) determines that who own or control the company. This includes those Persons who exercise ultimate effective control over a company;
  - 4.1.9 In case Y.H is not able to satisfactorily complete the required CDD/ KYC measures, Account should not be opened, business relationship should not be established and Business transaction should not be carried out. Instead reporting of suspicious Transaction is considered. Similarly, relationship with existing customer should be Terminated and reporting of suspicious transactions be considered if CDD/ KYC is Found unsatisfactory;
  - 4.1.10 Any exception (including suspicious transaction) identified in fulfilling the criteria/guidelines laid down in this policy shall be clearly indicated in writing and referred To the Chief Executive Officer (CEO) in order to decide future course of action; and
  - 4.1.11 A copy of any exception (including suspicious transaction) reporting to CEO shall Also be submitted to Internal Audit & Compliance Department.

## 5. Verification

- 5.1 Verification is an integral part of CDD/ KYC measures for which Y.H is required to ensure the following areas;
  - 5.1.1 Before opening an account, Y.H shall verify the signature of the account holder is verified from the bank in Sub Account Opening Form
  - 5.1.2 For this purpose, Y.H will not open any account without UIN approval from National Clearing Company of Pakistan (NCCPL).

## 6. Record Updation & Retention

- 6.1 CDD/ KYC should not be contemplated as a onetime exercise at the time entering into Relationship with the customers. It should be viewed as an ongoing process and should encompass the followings;
  - 6.1.1 Operation Department will provide the list of discrepant/ incomplete documents to Investment Advisory Department within thirty days after every calendar year and Investment Advisory shall provide discrepant/ incomplete information to Operations Department for record maintenance and updation;

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- 6.1.2 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
- 6.2 Furthermore, Y.H shall keep records regarding the identification data obtain through the customer due diligence process (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) account files and Business correspondence for at least 5 (five) years after the business relationship is ended.

## 7. Risk Profile (High Risk Customers/ Low Risk Customers)

- 7.1 Y.H is required to conduct enhanced customers due diligence if the customers falls within the definition of High Risk Customers, which are defined as under;
- 7.1.1 Non-resident customers;
- 7.1.2 Non-legal persons or arrangements including non-governmental organizations (NGOs) / Not for profit organizations (NPOs) and Trusts/charitable trust;
- 7.1.3 Customer with links to offshore tax havens;
- 7.1.4 High net worth customers with no clearly identifiable source of income;
- 7.1.5 Customers dealing in high-value items;
- 7.1.6 Politically Exposed Persons (PEPs). Those individuals who are or who have been Entrusted with prominent public functions in a country or territory, for example Heads of state or of government, senior politicians, senior government, judicial or Military officials, senior executives of state owned entities, important political party Officials but not middle ranking or more junior individuals in these categories;
- 7.1.7 Customers from or in countries where CDD/ KYC and anti-money laundering Regulations are lax and are not sufficiently applying Financial Action Task Force (FATF) recommendations: and
- 7.1.8 Customers who have been refused by another financial institution (based on Reasonable information)
- 7.2 For Low Risk Customers, Y.H may apply simplified or reduced CDD/ KYC measures. A client may be considered under Low Risk category, if the identity of the customer(s) and the beneficial owner of a customer are publicly known or where adequate checks and controls exist.
- 7.3 Following cases may be considered as Low Risk Customers for application of simplified or reduced CDD/ KYC;
- 7.3.1 Financial institutions provided they are subject to requirements to combat money Laundering and terrorist financing and are supervised for compliance with those Requirements; and
- 7.3.2 Public listed companies that are subject to regulatory disclosure requirements, Government administrations/entities