



# Muhammad Tariq Moti Securities (Pvt) Limited

BRP # 064, TREC Holder Code 186, TREC Holder / Broker: Pakistan Stock Exchange Limited.  
(Formerly: Karachi Stock Exchange Limited), 1<sup>st</sup> Floor, Room no. 36, Stock Exchange Building, Stock Exchange Road, Karachi.  
Phone no. +9221 32421624, 32419415, 32410835, Website: tariqmoti.com.pk, Email id: admin@tariqmoti.com.pk.

## Customer (CDD/KYC) Policy

### Introduction

1.1 Muhammad Tariq Moti Securities (Pvt.) Ltd (MTM) 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) and Explanatory note/ Commentary dated March 16, 2012

1.2 The CDD/ KYC policy has been approved by the Board of MTM. The Board has authorized the CEO to approve any subsequent amendments.

1.3 This policy defines different types of customers, their minimum required information & Documents along with the characteristics of High Risk Customers. It further explains how to ensure the identity of the clients, who initiates relationship with MTM and how to maintain and update the CDD/KYC measures for existing customers.

1.4 For better services to our customers, MTM has also developed and put in place a “KYC Form” which classifies the categories of CDD/ KYC for both Individual and Institutional Clients MTM Sales Team 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 2 and CDD Checklist is attached in Appendix 1 and shall be considered as integral part of CDD/KYC policy

### 2. Areas Covered

2.1 The scope of CDD/ KYC policy is to establish reasonable measures to know about the Customers of MTM, whether individual or institutional, in accordance with the stated guidelines by the Commission.

2.2 For this purpose, training with respect to CDD/ KYC to the concerned staff of MTM shall be carried out on regular basis.



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### 3. Principles of CDD/ KYC

3.1 MTM 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;

3.1.1 Payment in cash or bearer instruments, above Rs. 25000 shall be strictly prohibited; Further, receipt of cash above 25000 on any day, in case of exceptional circumstances like loss of margin, bounced cheques, overdue payment etc should be reported to Exchange as per relevant rules and regulations

3.1.3 Government account shall not be opened in the personal names of the Government Official(s);

3.1.4 CDD/ KYC measures shall be enhanced for High Risk Customers. Characteristics of High Risk Customers are given in **Section 7** of this policy;

3.1.5 Dealing with any Political Exposed Person or customers holding public or high Profile position, relationship with them should be discouraged and only in case of long and comfortable relationship be established and/ or maintained with the approval of Senior Management of MTM including if any existing customer Becomes holder of any public office or high profile position;

3.1.6 MTM 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

3.1.7 For customers that are legal persons or for legal arrangements, MTM 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;

3.1.8 In case MTM 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. Similarly, relationship with existing customer should be Terminated CDD/ KYC is Found unsatisfactory;



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3.1.9 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

3.1.10 A copy of any exception (including suspicious transaction) reporting to CEO shall Also be submitted to Compliance Department

3.1.11 If a customer is acting on behalf of another customer, his identity should be ascertained and relevant documents should also be obtained

3.1.12 The simplified check list should also very broadly cover the investment outlook and risk appetite of the customer, which along with the profile helps build the risk assessment of customer

3.1.13 On a very broad scope , also evaluate in a generalized manner the risk appetite, investment horizons, stock preference like sharia compliant etc, to evaluate the customers risk appetite and risk profile

## **4. Verification**

4.1 Verification is an integral part of CDD/ KYC measures for which MTM is required to ensure the following areas;

4.1.1 Before opening an account, MTM shall verify the signature of the account holder is verified from the bank in Sub Account Opening Form

4.1.2 For this purpose, MTM will not open any account without UIN approval from National Clearing Company of Pakistan (NCCPL)

4.1.3 Priority should be given to clients visit at the time of account opening. Faceless / online, should be verified by third party

## **5. Record Updation & Data Maintenance**

5.1 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;



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5.1.1 Concerned person will provide the list of discrepant/ incomplete documents to senior management time to time, for necessary follow up and approval

5.1.2 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. High Risk Customers & Low Risk Customers

6.1 MTM is required to conduct enhanced customers due diligence if the customers falls within the definition of High Risk Customers, which are defined as under;

6.1.1 Non-resident customers;

6.1.2 Non-legal persons or arrangements including non-governmental organizations (NGOs) / Not for profit organizations (NPOs) and Trusts/charitable trust;

6.1.3 Customer with links to offshore tax havens;

6.1.4 Customers dealing in high-value items;

6.1.5 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;

6.1.6 The MTM 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 etc and based on the results of such assessment, categorize their customers among high risk, medium risk and low risk customers. MTM should develop clear guidelines for identification of High Risk customers which include:

i. non-resident customers;

ii. legal persons or arrangements including non-governmental organizations; (NGOs) / not-for-profit organizations (NPOs) and trusts / charities;

iii. customers belonging to countries where CDD / KYC and anti-money laundering regulations are lax or if funds originate or go to those countries;



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- iv. Customers whose business or activities present a higher risk of money laundering such as cash based businesses;
- v. Customers with links to offshore tax havens
- vi. there is reason to believe that the customer has been refused brokerage services by another brokerage house;
- vii. Non-face-to-face / on-line customers;
- viii. establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
- ix. Politically Exposed Persons (PEPs) or customers holding public or high profile positions

6.1.7 Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, 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

6.1.8 MTM should conduct a self assessment for money laundering and terrorist financing risk, identifying and documenting the key risks presented to it.

6.1.9 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

6.1.10 Customers who have been refused by another financial institution (based on Reasonable information)

6.1.11 While dealing with the high-risk customers including the PEPs, the MTM should:  
a) 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 a result of ongoing due diligence;

6.1.12 If the MTM is unable to comply with the above requirements, it should not open the account, or should terminate the business relationship, as the case may be



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6.2 For Low Risk Customers, MTM 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

6.3 Following cases may be considered as Low Risk Customers for application of simplified or reduced CDD/ KYC:

6.3.1 Financial institutions provided they are subject to requirements to combat money Laundering and terrorist financing and are supervised for compliance with those Requirements;

6.3.2 Public listed companies that are subject to regulatory disclosure requirements, Government administrations/entities.

## 7. Screening and Verification

7.1 MTM shall develop and implement appropriate screening viz 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 at sensitive positions, meet and maintain high standards of integrity and professionalism

7.2 MTM must provide any information concerning its clients and their transactions to the exchanges, Financial Monitoring Unit or the Commission as and when required

## 8. Procedures for Compliance

8.1 All new account opening forms should be reviewed and authorized by compliance Officer

8.2 A periodic meeting of compliance officer, CDC in charge and back office in charge Should take place and review all the existing policies and procedures as well all the New directives / guidelines and report to the CEO

8.3 MTM should set up a compliance function with suitable human resource and MIS reporting capabilities, enabling it to effectively monitor the clients' transactions and make Timely reports





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8.4 The Head of Compliance function must have skills and experience necessary for Satisfactory performance of functions assigned and report directly to Board of Directors

8.5 Retain the essential data / record for future inspection by regulatory authorizes as per Rules and regulations

## **9. Anti Money Laundering**

MTM must comply with the requirements of Anti Money Laundering Act, 2010 as applicable on them, including and any directives, circulars, guidelines issued in this regard by Federal Government, Financial Monitoring Unit and SECP.