



KYC POLICY

SHERMAN SECURITIES (PRIVATE) LIMITED

TRE Certificate Holder, PSX

KYC Policy

Version 1.0

Process	Action by	Date
1	Reviewed by Head of Operations	30-06-2019
2	Approved by Board of Directors	05-07-2019

KYC POLICY

Back Ground:

Since the last few years' money laundering and regulations have been put in place across the world. For the purpose Agreements have been signed by the members of United Nations countries are bound to implement policies that discourage money laundering and monitor financial transaction that are suspicious and raise concern about financing of illegal/criminal activities.

Pakistan is a signatory to such agreement and is a member of relevant bodies such as Financial Action Task Force (FATF). As such, Pakistan has to abide by the recommendations of FATF and other relevant bodies and implement appropriate policies and procedures. Pakistan has enacted the ANTIMONEY LAUNDERING ACT 2010. Financial institutions and intermediaries are required to comply with the provisions of this Act.

In the above context, Apex capital market regulator, the Securities and Exchange Commission of Pakistan (SECP) has provided comprehensive guidelines for Pakistan capital market institutions regarding how to develop and implement policies and procedures that will help discourage 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. In the case of the brokerage industry, SECP being its Apex regulator and the Pakistan Stock Exchange Limited being the frontline regulator of the brokerage industry, have formulated detailed set of guidelines for brokers to help them in developing KYC and CDD policies & procedures and implementing the same.

This document has been prepared for **SHERMAN SECURITIES (PRIVATE) LIMITED (SSPL)** to follow the guidelines and instructions of Regulators and shall be implemented being a broker of Pakistan Stock Exchange limited.

Following key Areas has been covered:

- Customer Identification
- Risk assessment of customer
- Circumstances where Enhanced Due Diligence is required
- On-going due Diligence
- Circumstances where simplified Due Diligence can be adopted
- Compliance function
- Data retention
- Training and employee screening

Customer Identification:

- Customer identification is very important that will protect the company from being used by corrupt and/or criminal elements. In this respect minimum documents/information as prescribed by SECP, must be obtained from customers at the time of opening of accounts. Further, any additional document/information may be obtained on case to case basis where considered necessary. The key point is that anonymous or obviously fictitious accounts should not be opened. (List of Documents for Individuals and Corporate Clients attached as Annexure – a).
- In case a customer is acting on behalf of another person, then identity of that person shall be ascertained and relevant documents/information of that person need to be obtained also.
- For non-individual customers (e.g. companies, pension funds, government owned entities, non-profit organizations, foreign companies/organizations) additional care shall be taken to establish the ownership and control structure of such an organization and who (i.e. person(s)) actually owns the organization and who manages it. The authorization of the person(s) who represents himself/themselves as authorized signatory(is) is clearly mentioned in Account Opening Form.
- For individual customers, proper authorization shall be obtained from person authorized to act on behalf of the customer is also mentioned in SAOF.
- It shall be ensured that accounts of Institutions/organizations/corporate bodies are not opened in the individual name(s) of employee(s)/official(s). Because of sensitive nature of public sector (government) entities and risk of potential conflict of interest, these accounts shall not be opened in the individual name of any employee/official.
- Sufficient information shall be obtained to determine the expected source of income.
- It must be ensured that all receipts and payments to the customers above the prescribed threshold (i.e. Rs. 25,000/-) are made through cross cheques, bank drafts, pay orders or other crossed banking instruments. For exceptional circumstances where it shall become necessary to accept cash from a customer, reporting of such instances with rationale should be inform to the authority.
- Third party cheques shall not be accepted
- Physical presence of the customer at the time of opening of account is necessary.
- 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 the Company including if any existing customer Becomes holder of any public office or high-profile position.
- The Company 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.
- Proof should be acquired if the mailing address differs from the address given in the CNIC

ANNEXURE - A

FOR INDIVIDUAL INVESTORS:			
S.NO	CUSTOMER TYPE	KYC SUPPORTING DOCUMENTS FOR SOURCE OF INCOME / FUNDS	
1.	Salaried Person	<ul style="list-style-type: none"> • Copy of valid CNIC / NICOP issued by NADRA. • Passport; having valid visa on it or another proof of legal stay along with passport (foreign national individuals only). • Latest stamped salary slip, or • Employer's letter (showing remuneration package). • If you are an income tax filer, Income Tax Return with Wealth Statement supporting the investment amount. 	
2.	Retired Person	<ul style="list-style-type: none"> • Photocopy of identity document as per Sr. No. 1. • Last pay slip / Pension or Settlement letter (Proceeds received should justify the investment amount). • If you are an income tax filer, Income Tax Return with Wealth Statement supporting the investment amount 	
3.	Business Person (Self Employed)	<ul style="list-style-type: none"> • Photocopy of identity document as per Sr. No. 1. • Declaration on Business Letter head (showing average/commutative monthly income) along with account opening requisition. • If you are an income tax filer, Income Tax Return with Wealth Statement supporting the investment amount. Documents (such as contracts, assignments, written receipts, tax deduction certificates etc.) justifying receipt of funds which have been invested or intended to be invested in stocks and also give a brief on last quarter's turn over details specifying source of payments received along with payment receipts / invoices, and in case payments are received in your bank(s) annex the bank statement(s). • Copy of registration certificate for registered concerns, if any. • Copy of certificate or proof of membership of trade bodies etc., where applicable. • NTN Certificate, if applicable. 	
4.	Housewife / Student	<ul style="list-style-type: none"> • Photocopy of identity document of account holder and financial supporter as per Sr. No. 1. • Student Card. • Financial supporter's declaration letter (As per prescribed format). • Source of Income / Fund documents for financial supporter. • Financial supporter's Tax Return with Wealth Statement supporting the investment amount in case of income tax filer. 	
5.	Additional Documents to Support your Investment	Liquidation of Another Investment <ul style="list-style-type: none"> • Evidence of liquidation. Bank statement showing credit of encashment proceeds	Inheritance <ul style="list-style-type: none"> • Succession Certificate, Or • Heirship Certificate, Or Any other legal document providing the inheritance.
		Disposal of Assets <ul style="list-style-type: none"> • Sale Deed / Agreement. 	Gifts <ul style="list-style-type: none"> • Gift Deed.

		<ul style="list-style-type: none"> • Any document proving the sale transaction. 	<ul style="list-style-type: none"> • Any document proving / justifying the income of transferor.
		Interest/dividends <ul style="list-style-type: none"> • Statement showing interest received and period covered. • Dividend statement from bond holder or stock company 	
6.	Land Lord	Agriculture Income <ul style="list-style-type: none"> • Documents of title and other relevant documents in respect of presently held landed property. • Any other document through which his / her ownership in property can be determined. • If you are an income tax filer, Income Tax Return with Wealth Statement supporting the investment amount. • Documents such as lease deed (if the land is leased to someone else), produce sale contract (if such is available) and/or any other nature of contract or document including cash or crossed cheques received, written receipts etc. explaining source of funds, and in case payments are received in your bank(s) annex the relevant bank statement(s). Rental Income <ul style="list-style-type: none"> • Documents of title and other relevant documents in respect of property given on rent. • Rental Agreement. • Last 06 months bank statement showing receipts of rent if such is received in bank or else rent receipts or any other document showing receipt of rent including copies of cash or crossed cheques if rent is paid through such modes. • If you are an income tax filer, Income Tax Return with Wealth Statement supporting the investment amount. 	

Note:

Where the Customer is a Non-Resident or a foreign individual, in addition to the above documents, CNIC / NICOP or Passport duly attested by either notary public or Embassy of Pakistan situated in country where customer resides would be required. The foreign / Non-Resident customer shall also be required to provide bank statement (showing credit entries of the funds that he / she intends to invest through the company).

Proof of mailing / permanent address shall be required (In case the address provided is same as in CNIC, no additional document is mandatory. In other cases, any of the documents shall be provided i.e. Utility bills, rental agreement, bank statement, NTN certificate and mobile bill.

List of documents mentioned above is not exhaustive, the company reserves the right to waive off any document or ask for all documents simultaneously and may also ask for additional documents if it is not satisfied with the provided documents.

COMPREHENSIVE CHECLIST OF REQUIRED DOCUMENTS FOR ACCOUNT OPENING CORPORAAATE

01. Partnership

(i)	Photocopies of identity documents of all the partners and authorized signatories.		
(ii)	Attested copy of 'Partnership Deed'.		
(iii)	Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact shall be clearly mentioned on the Account Opening Form.		
(iv)	Authority letter from all partners, in original, authorizing the person(s) to operate firm		
(v)	Registered / Business address.		
(vi)	Copy of latest financials.		
(vii)	KYC / Source of Income/Wealth of Authorized Persons & Partners		

02. Limited Companies /Corporations

(i)	Certifies copies of:		
	(a) Resolution of Board of Directors for opening of account specifying the persons(s) authorized to open and operate the account; not mandatory requirement in case of foreign company if laws under the jurisdictions of their operations requires so.		
	(b) KYC / Source of Income / Wealth of Authorized Persons, Board of Directors & Beneficial Owener		
	(c)Registered / Business address.		
	(d) Certificate of Incorporations;		
	(e) Certificate of Commencement of Business, wherever applicable;		
	(f) List of Directors on 'Form-A/Form-B' issued under Companies Act. 2017, as applicable; and		
	(g)Form-29 wherever applicable.		
	(h) Tax exemption certificate if applicable		
(ii)	Photocopies of identity documents as per Sr. No.1 above of all the directors and persons authorized to open and operate the account;		
(iii)	Audited Accounts		
(iv)	Attest all documents from embassy of Pakistan in the relevant jurisdiction in case of foreign company.		
(v)	Power of attorney from competent authority for establishing business relationship.		

03. Trust

(i)	Certifies copies of:		
	(a) Certificate of Registration / Instrument of Trust (Trust Deed).		
	(b) By-laws / Rules & Regulations		
	(c) KYC / Source of Income / Wealth of Authorized Persons, Officer Bearer , Management Committee & all trustees.		
(ii)	Resolution of the Governing Body / Board of Trustees / Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account.		
(iii)	Photocopy of identity documents of all trustees along with Source of Income of all Trustees.		
(iv)	Registered address / Business address where applicable.		
(v)	Latest Audited Financial Statements of the Trust		

04. Club Societies and Association

(i)	List of members of governing body.
(ii)	Copy of CNIC of all members of governing body.
(iii)	Certified copy of certificate of registration.
(iv)	Certified copy of bye laws / rules and regulations.
(v)	Latest Audited Financial Statements
(vi)	Resolution of Board / Governing body authorizing to open equity trading account.

05. NGO/NPO/Charities

(i)	Certified copy of
	(a) Registration documents
	(b) Bye Laws and regulations
(ii)	Resolution of the Governing Body / Board of Trustee / Executive Committee, if it is ultimate governing body, for opening of account authorizing the persons(s) to operate the account.
(iii)	Copy of CNIC of all members of governing body along with source of Income.
(iv)	Annual accounts / financial statements of disclosure in any form which may help to ascertain to detail of its actives, sources and usage of funds in order to assess the risk profile of the prospective customer.

NOTE

List of documents mentioned above is not exhaustive, the company reserves the right to waive off any document or ask for all documents.

The above list of documents is tentatively and the Company simultaneously may also ask for additional documents if it is not satisfied with the provided documents.