



CDD & KYC

1. LEGISLATIVE MANDATE AND REGULATORY SCOPE

SECTION 1.0

This comprehensive Customer Due Diligence (CDD) and Know Your Customer (KYC) Policy establishes the mandatory compliance operating architecture of **Javed Iqbal Securities (Pvt) Ltd** ("JISPL" or the "Company"). The Company operates as a licensed Trading Rights Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited and a registered Securities Brokerage under the Securities and Exchange Commission of Pakistan (SECP).

This policy is framed under, and gives active execution to, the **Anti-Money Laundering Act, 2010** (as amended), the **SECP AML and Countering Financing of Terrorism Regulations, 2020**, the **United Nations (Security Council) Act, 1948**, the **Anti-Terrorism Act, 1997 (ATA)**, the PSX Rulebook, and the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation issued by the Financial Action Task Force (FATF).

2. GOVERNANCE ARCHITECTURE & SENIOR MANAGEMENT ACCOUNTABILITY

SECTION 2.0

BOARD OF DIRECTORS OVERSIGHT

The Board holds ultimate fiduciary accountability for institutional compliance. The Board approves the compliance policy, establishes a robust internal control regime, and allocates adequate human, analytical, and technological resources.

CHIEF COMPLIANCE OFFICER (CCO) MANDATE

The Board appoints an independent CCO with unhindered direct access to executive committees and the Board. The CCO oversees policy execution, authorizes high-risk account approvals, and handles FMU reporting.

THREE LINES OF DEFENCE MODEL

1st Line: Sales, brokerage desks, and onboarding operators executing day-to-day CDD. **2nd Line:** Dedicated Compliance & Risk Unit conducting surveillance. **3rd Line:** Independent Internal Audit evaluating internal control efficacy.

MANDATORY STAFF TRAINING & VETTING

Annual AML/CFT certification is obligatory for all customer-facing, clearing, and operational personnel. Comprehensive pre-employment screening is administered to prevent regulatory and reputational exposures.

3. CORE OPERATIONAL PRINCIPLES & PROHIBITIONS

SECTION 3.0

- **Prohibition of Anonymous & Fictitious Accounts:** JISPL shall under no circumstance establish, maintain, or facilitate accounts in anonymous designations, pseudonyms, numbered accounts, or fictional personae.
- **Verification Prior to Transactional Enablement:** Trading permissions, deposit executions, or custodial asset transfers shall never be initiated before the complete formal satisfaction of customer identification procedures (CIP).
- **Sole Title Bank Account Mandate:** Inbound and outbound capital movements must route exclusively through approved banking channels under the precise legal name of the verified account holder (Third-Party payments are strictly prohibited).
- **Continuous Proscribed Matching:** Unconditional prohibition of onboarding or transacting with entities or individuals designated on national (NACTA) or international (UNSC) sanctions registries.

JISPL enforces distinct, legally documented identification requirements based on customer legal structures. Original documents must be sighted and verified by designated onboarding compliance officers prior to account activation:

4.1 INDIVIDUAL ACCOUNTS (NATURAL PERSONS)

Mandatory Requirements:

- Valid Computerized National Identity Card (CNIC), Smart CNIC (SNIC), or National Identity Card for Overseas Pakistanis (NICOP). Passports accepted for foreign nationals.
- Mandatory Biometric Authentication via 1:1 NADRA Verisys or SECP-approved biometric gateway.
- Verifiable proof of residential address: Recent utility bill (<90 days), registered lease, or official bank statement.
- Documented Source of Wealth & Income: Current employment letter, salary slip, wealth statement, or certified audited accounts.
- International Bank Account Number (IBAN) certificate confirming sole applicant account title.

4.2 JOINT & MINOR ACCOUNTS

Mandatory Requirements:

- *Joint Accounts*: Full CIP, biometric verification, and sanctions screening must be performed independently for every joint applicant. Operating instructions must be unambiguously signed.
- *Minor Accounts*: NADRA Child Registration Certificate (B-Form) or Family Registration Certificate (FRC).
- Full CIP, biometric authentication, and source of funds documentation executed for the legal guardian.
- Operating control granted strictly to the guardian until the minor attains legal majority (18 years) with subsequent re-KYC.

4.3 CORPORATE ENTITIES (PRIVATE & PUBLIC LTD)

Corporate Documentation Dossier:

- Certified true copy of Certificate of Incorporation, Memorandum and Articles of Association.
- SECP-certified latest Form A (Annual Return) and Form 29 / Form 7 (List of Directors and CEO).
- Board Resolution authorizing account opening, specifying transactional limits, and nominating authorized operators.
- CNIC/Passport copies and NADRA verification for all Directors, CEO, authorized signatories, and power-of-attorney holders.
- Audited financial statements for the preceding fiscal year and confirmed corporate IBAN certificate.

4.4 PARTNERSHIPS, TRUSTS & NPOS/NGOS

Institutional Verification Dossier:

- *Partnerships*: Partnership Deed, Certificate of Registration with Registrar of Firms, and Partnership authorization letter.
- *Trusts/Foundations*: Registered Trust Deed, certificate of registration, and trustees' appointment deeds.
- *NPOs/NGOs*: License issued under Section 42 of Companies Act 2017, registration with Economic Affairs Division (EAD) if accepting foreign funding, and vetted donor profile declaration.
- Identification and sanctions vetting of all governing body members.

4.5 DIGITAL ONBOARDING & ELECTRONIC KYC (E-KYC) SAFEGUARDS

For accounts established through digital portals, the Company deploys multi-factor identity validation: (i) Live liveness detection and facial recognition matching against national database records; (ii) OTP verification routed to the customer's registered mobile number linked with their CNIC (PMD authentication); and (iii) Penny-drop or digital token confirmation directly to the customer's verified IBAN. Digital accounts carry calibrated initial exposure limits pending complete back-office ledger audit.

5. ULTIMATE BENEFICIAL OWNERSHIP (UBO) VERIFICATION

SECTION 5.0

JISPL enforces rigorous measures to identify the natural persons who ultimately own or control a corporate customer. Pursuant to SECP AML Regulations, a **Beneficial Owner** is defined as any natural person who ultimately owns or controls a client account, exercises effective control over a legal entity, or on whose behalf a transaction is being conducted.

Tiered UBO Determination Protocol: (Step 1) Identify natural persons holding directly or indirectly **25% or more** of the shares or voting rights in the legal entity; (Step 2) If doubt exists, identify natural persons exercising control through voting trusts, personal influence, or contractual arrangements; (Step 3) If no individual qualifies under Step 1 or 2, identify the natural person occupying the position of Chief Executive Officer (CEO) or Senior Managing Official. Complete CNIC/Passport and biometric authentication must be secured for each verified UBO.

6. FOUR-TIER RISK CATEGORIZATION MATRIX

SECTION 6.0

RISK TIER	INVESTOR DEMOGRAPHICS & PROFILES	REQUIRED DUE DILIGENCE & CONTROLS	REVIEW CYCLE
TIER 1: LOW	Regulated financial institutions, listed blue-chip companies, statutory public bodies, standard salaried retail accounts with low throughput.	Simplified Due Diligence (SDD): Standard CIP, verified CNIC, NADRA verification. Exemption from exhaustive multi-layered asset history tracing.	Every 24 Months
TIER 2: MEDIUM	Domestic corporate entities, retail traders with regular trading turnover, professionals, small-to-medium business owners.	Standard Due Diligence (CDD): Full CIP, address verification, documented income verification, annual transaction limit reconciliation.	Every 12 Months
TIER 3: HIGH	Politically Exposed Persons (PEPs), Non-Resident Pakistanis, high-net-worth individuals, trusts, charities/NGOs, real estate brokers.	Enhanced Due Diligence (EDD): Mandatory CCO approval, verified Source of Wealth & Funds, adverse media monitoring, weekly trade review.	Every 6 Months
TIER 4: PROHIBITED	Persons on UNSC/NACTA sanctions lists, shell corporations, entities in blacklisted non-cooperative jurisdictions, unverifiable identities.	Outright Rejection: Immediate freezing of attempted assets, account creation denied, STR dispatch to FMU within 24 hours.	Immediate Block

7. RISK SCORING PARAMETERS & WEIGHTINGS

SECTION 7.0

GEOGRAPHIC EXPOSURE FACTOR Accounts originating from cross-border regions with heightened terrorism financing risks, jurisdictions flagged on the FATF grey/black lists, or offshore tax havens are automatically assigned elevated risk weights.	CUSTOMER PROFILE & OCCUPATION Higher scores are attributed to cash-intensive businesses (currency exchanges, bullion dealers, real estate developers), public officials, and multi-layered cross-border holding companies.
PRODUCT & CHANNEL DELIVERY Non-face-to-face digital onboarding channels and delivery mechanisms that obscure trade origins incur additional risk weighting compared to physical face-to-face verified clients.	ANTICIPATED TURNOVER THRESHOLDS Accounts projecting turnover exceeding PKR 50 Million quarterly are subjected to institutional net-worth certification and continuous algorithmic volume surveillance.

8. ENHANCED DUE DILIGENCE (EDD) & POLITICALLY EXPOSED PERSONS SECTION 8.0

JISPL applies rigorous Enhanced Due Diligence (EDD) for any customer classified under High Risk or identified as a **Politically Exposed Person (PEP)**. A PEP is defined as an individual who is or has been entrusted with prominent public functions in Pakistan, a foreign jurisdiction, or an international organization (including Heads of State, senior politicians, senior government/military officials, judicial officers, and senior executives of state-owned enterprises), as well as their **Family Members and Close Associates**.

MANDATORY OPERATING WORKFLOW FOR PEP ONBOARDING:

- 1. Senior Management Sign-Off:** No PEP account shall be activated without the explicit written concurrence of the Chief Compliance Officer and an Executive Director.
- 2. Source of Wealth (SoW) vs. Source of Funds (SoF):** Staff must independently substantiate both the origin of the client's overall wealth (accumulated asset base) and the exact origin of the specific funds intended for securities investment.
- 3. Close Associate Profiling:** Commercial entities wherein a PEP maintains >10% equity, or exercises executive board control, are automatically governed under the PEP EDD regime.
- 4. Continuous Re-evaluation:** A former PEP remains classified as a PEP for at least one full calendar year after relinquishing public office, or until the compliance committee determines they no longer present public exposure.

9. SANCTIONS COMPLIANCE & TARGETED FINANCIAL SANCTIONS (TFS) SECTION 9.0

JISPL strictly adheres to statutory counter-terrorism and counter-proliferation regimes enacted by the Government of Pakistan. Automated batch and real-time sanctions screening must be performed at onboarding and continuously throughout the customer lifecycle:

UNSC CONSOLIDATED LISTS SCREENING

Screening against all individuals and entities designated under United Nations Security Council Resolutions: **UNSCR 1267 / 1989 / 2253** (Al-Qaida/Da'esh), **UNSCR 1988** (Taliban), and **UNSCR 1718 / 2231** (Proliferation Financing).

DOMESTIC ANTI-TERRORISM LISTS (NACTA)

Daily screening against the National Counter Terrorism Authority (NACTA) Proscribed Persons Registry (4th Schedule of Anti-Terrorism Act 1997) and proscribed militant/banned outfits issued by the Ministry of Interior.

ACTION PROTOCOL UPON POSITIVE SANCTIONS MATCH

If an onboarding applicant, active client, or beneficial owner exhibits an identical match with a sanctioned entry: (i) Immediately halt and reject the application or freeze existing securities holdings; (ii) Refrain from executing any financial liquidation or withdrawal; (iii) Notify the SECP, FMU, and Ministry of Foreign Affairs within twenty-four (24) hours as required by federal law.

10. ADVERSE MEDIA SURVEILLANCE & PEP DATABASES SECTION 10.0

The Compliance Desk leverages automated screening engines that cross-index client databases against global watchlists, regulatory enforcement notices from the SECP, State Bank of Pakistan (SBP), National Accountability Bureau (NAB), Federal Investigation Agency (FIA), and reliable international media reports involving fraud, embezzlement, or narcotics trafficking.

11. ONGOING MONITORING & RED-FLAG DETECTION INDICATORS

SECTION 11.0

CDD is not a static onboarding event; it requires continuous vigilance. JISPL trading terminals and back-office clearing software deploy automated transaction monitoring thresholds designed to flag the following operational red-flags:

ABRUPT VOLUME SPIKES

Sudden, high-value equity transactions completely inconsistent with the customer's documented earnings, tax history, or historical baseline trading pattern.

RAPID FUND CHURNING

Securities purchased and liquidated almost immediately with no apparent investment rationale or tolerance for market movement, followed by immediate outward capital withdrawal.

STRUCTURING (SMURFING)

Multiple repeated deposits or withdrawals routed just beneath statutory reporting thresholds to evade regulatory CTR scrutiny.

THIRD-PARTY SETTLEMENT ATTEMPTS

Attempts to fund brokerage accounts or direct credit disbursements to bank accounts held by third parties unaligned with the verified investor name.

12. SUSPICIOUS TRANSACTION REPORTING (STR) & CTR MECHANICS

SECTION 12.0

Pursuant to Section 7 of the Anti-Money Laundering Act, 2010, the Company has a mandatory statutory duty to report suspicious activities:

SUSPICIOUS TRANSACTION REPORTS (STRS)

Filed whenever there are reasonable grounds to suspect that funds are proceeds of crime or linked to ML/TF. Staff report internally to the CCO; the CCO evaluates and submits an official STR to the **Financial Monitoring Unit (FMU)** within 7 business days.

CURRENCY TRANSACTION REPORTS (CTRS)

Cash transactions are strictly prohibited at JISPL. Any attempt to tender physical currency exceeding PKR 2 Million (or prescribed regulatory threshold) triggers an immediate mandatory CTR filing to the FMU within the statutory window.

ABSOLUTE PROHIBITION AGAINST "TIPPING-OFF"

Under Section 34 of the AML Act 2010, any director, officer, or employee who discloses to a client or unauthorized third party that an STR or inquiry has been filed or is under investigation is guilty of a criminal offense punishable by fine and rigorous imprisonment.

13. STATUTORY RECORD RETENTION PROTOCOLS

SECTION 13.0

All client identification records, biometric logs, bank certificates, risk evaluation sheets, and transaction ledgers must be securely archived for a minimum statutory period of **five (5) years** following the formal closure of the account or execution of the single transaction. Archival must be maintained in both digital redundancy and physical storage accessible for immediate regulatory inspection.

14. INSTITUTIONAL GOVERNANCE, ADOPTION & BOARD SIGN-OFF

SECTION 14.0

This updated Customer Due Diligence and KYC Policy Handbook was reviewed and ratified by the Board of Directors of Javed Iqbal Securities (Pvt) Ltd.



Javed Iqbal
Chief Executive Officer

Date: _____

Company Stamp: _____



Ali Javaid
Executive Director

Date: _____