

NEXT CAPITAL LIMITED

KNOW YOUR CUSTOMER (KYC) & CUSTOMER DUE DILIGENCE (CDD) (POLICY & PROCEDURES)

Table of Content

- 1. Customer Identification**
- 2. Risk Assessment of Customer**
- 3. Enhanced Due Diligence**
- 4. On-going Due Diligence**
- 5. Simplified Due Diligence**
- 6. Principles of CDC/KYC**

1. Customer Identification

Type of Customers, Information & Documents Required

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

Sr. #	Type of Customers	Information Required	Documents Required
1	Individuals / Sole proprietor ship	<ul style="list-style-type: none"> ▪ Name and Father's Name ▪ Address ▪ Telephone Number(s) ▪ Sources of Income ▪ Nationality & NTN ▪ Guardian name (if Applicable) 	<ul style="list-style-type: none"> ▪ Copy of CNIC or passport or attested copy of B form in case of Minor ▪ Detail of Business / Employment Proof
2	Partnership based entity	<ul style="list-style-type: none"> ▪ Name of Partnership Entity ▪ Names of Partners ▪ Father's Name of Partners ▪ Address of Partnership entity ▪ Telephone Number(s) 	<ul style="list-style-type: none"> ▪ Copy of CNIC/ passport of all Partners ▪ Copy of CNIC of authorized signatories ▪ List of Authorized signatories along with power of attorney ▪ Resolution authorizing investments ▪ Partnership Deed - Mark registered or un-registered partnership deed ▪ Copy of latest financials of partnership
3	Companies (Institutional and Corporate)	<ul style="list-style-type: none"> ▪ Name of Company and its Directors ▪ Registered Address ▪ Telephone number(s) ▪ Contact persons ▪ Registered number & NTN 	<ul style="list-style-type: none"> ▪ Copy of CNIC/ passport of all Directors ▪ Audited Accounts of the company ▪ Memorandum and Article of Association ▪ Board Resolution authorizing investments ▪ Certificate of Incorporation/ Commencement of Business ▪ List of Authorized Signatories along with copy of CNICs and power attorney
4	Clubs, Societies and Associations	<ul style="list-style-type: none"> ▪ Name of Club, Society or Association ▪ Registered address of Club, Society or Association ▪ Telephone numbers(s) ▪ Contact Persons 	<ul style="list-style-type: none"> ▪ Board / Governing Body Resolution for investment ▪ Certified copy of by-laws/ rules and regulations ▪ Copy of CNIC of Board's members ▪ Certified copy of certificate of Registration ▪ List of Authorized Signatories along with copy of CNICs and power attorney ▪ Copy of latest financials
5	Trusts including, but not limited to, Provident Fund, Gratuity Fund, Pension Fund, mutual fund, etc.)	<ul style="list-style-type: none"> ▪ Name of trust, Fund etc ▪ Name of Trustee ▪ Address of Trust/ Fund etc. ▪ Telephone number(s) ▪ Contact persons 	<ul style="list-style-type: none"> ▪ Copy of CNIC of all Trustees ▪ Certified copy of Trust Deed ▪ Trustee / Governing body Resolution for investment ▪ Copy of the latest financials of the Trust ▪ List of Authorized Signatories along with copy of CNICs and power attorney ▪ Trust Deed
6	Executors and Administrators	<ul style="list-style-type: none"> ▪ Name of Entity for Executor/ Admin. is appointed ▪ Name of Executor/ Administrator 	<ul style="list-style-type: none"> ▪ Copy of CNIC of Executor/Administrator ▪ Certified copy of the letter of Administration.

		▪Address of entity & Tele Numbers	
7	Government Entities	▪Name of Government owned organization ▪Address of Government owned organization ▪Telephone numbers ▪Contact persons	▪A Special Resolution/ authority endorsed by the Ministry of Finance or Finance Department from concerned Government (Federal/ Provincial/ Local) clearly listing the persons/ officers authorize to operate such account ▪List of Authorized Signatories ▪Copy of CNIC of authorized officer(s) ▪Resolution authorizing investment

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;

It is notable that all the foreign clients should be screened in the lights of guidelines and recommendations by the Financial Action Task Force (FATF) and Foreign Account Tax Compliance (FATC)

If the customer is trading on behalf of any other person then the Identity of that person must be ensured and a Power of Attorney must be taken from the customer regarding trading of that person on his behalf. That authorized person must also be verified physically through the process as applied on the customer's verification.

2. Risk Assessment of Customer

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

2.1.1 Each client should be assessed and marked a level of risk i.e. **High, Medium or Low Risk Category**;

2.1.2 These levels are marked on the basis of their source of income & funds, their social status, their location or domicile and customer's identity;

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

- Non-resident
- NGOs
- Customers from the countries where CDD/KYC and AML regulations are lax of if funds originates 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)

2.1.4 Anti-Money Laundering policies of the company should applied for each and every customer in order to establish a transparent source of the income of the customer and also in order to avoid any risk of terror financing.

3. Enhanced Due Diligence

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

- 3.1 Once a customer is marked as High Risk, it is necessary for the department to have Enhanced Due Diligence;
- 3.2 Such customers should be under vigilance and any unusual transaction should be reported to compliance department for further investigations.
- 3.3 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;
- 3.4 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.
- 3.5 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. And while remitting funds outside the country to ensure all the compliances of Foreign Exchange Regulations Act 1947, Foreign Exchange Manual 2016, SRO's, directives, guidelines, notices issued there under, have been complied with.

4. On-Going Due Diligence

- 4.1 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.
- 4.2 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.

5. Simplified Due Diligence

- 5.1 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 publically available
- Adequate checks and controls are in place

5.2 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

6. Principles of CDD/ KYC

NCL 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;

6.1 Payment in cash more than Rupees 25,000 or bearer instruments shall be strictly prohibited;

6.2 Third party cheques shall be strictly prohibited;

6.3 If payment in cash more than Rupees 25,000 is received in cash due to any unavoidable reason, then the department will report this receipt to Stock Exchange on appropriate format;

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

6.5 Operation Department/Accounts Maintenance Department will provide the list of discrepant/incomplete documents in coordination with Sales Team/Traders to Compliance Department within thirty days after every year, who shall obtain all required information/ documents from existing customers;

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

6.7 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 NCL including if any existing customer becomes holder of any public office or high profile position;

6.8 For customers that are legal persons or for legal arrangements, NCL is required to take reasonable measures to understand (i) the ownership and control structure of the company (ii) determine that who own or control the company. This includes those persons who exercise ultimate effective control over a company;

6.9 In case NCL 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;

- 6.10 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
- 6.11 A copy of any exception (including suspicious transaction) reporting to CEO shall also be submitted to Internal Audit & Compliance Department.