

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



**Al Meezan Investment
Management Limited**



OBJECTIVE

To protect itself from the increasing risk of organized criminal activity, money laundering, and terrorist financing, drug trafficking and other illegal trades, it is essential for every financial institution to have a clearly laid down KYC / CDD policy and procedures.

Keeping in view the above risks, the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 12 requires all Non Banking Finance Companies (NBFCs) including Asset Management Companies (AMCs) to formulate and put in place, a comprehensive KYC / CDD Policy duly approved by its Board of Directors.

KYC / CDD – Defined

Know Your Customer (KYC) / Customer Due Diligence (CDD) is the method of due diligence that financial institutions perform to identify their customers and ascertain relevant information required for doing business with them. KYC involves:

- Seeking evidence of identity and address from the customer and independently confirming that evidence at the start of a relationship with the Company; and
- Seeking information regarding the sources of income and nature of business etc. of the customer.

Customer – Defined

For the purpose of KYC / CDD Policy, a Customer is defined as a person or an entity that applies for or maintains an investor account with the Company.

Elements of the Policy

The following elements have been incorporated in the KYC / CDD Policy:

1. Customer acceptance criteria
2. Authentication of identification
3. Risk Management
4. Monitoring & reporting
5. Updation & retention of records
6. Awareness of stakeholders.



1. CUSTOMER ACCEPTANCE CRITERIA

1.1 The Company shall accept investors strictly in accordance with the following criteria:

(i) Customer identification

No investor account shall be opened in the name of person who fails to disclose his/her true identity or fails to provide valid identity document. To authenticate identity of new investor, copy of CNIC / NICOP / Passport shall be obtained before account opening.

(ii) Source of income

Source of income shall be essentially disclosed by the investor. The Company may refuse to accept any investor where the source of income has not been appropriately disclosed.

(iii) Business / employment proof

In case source of investor's income is business / employment, name of the business / employer shall also be disclosed.

(iv) Government accounts

In case of Government accounts, it should be ensured that no accounts are opened in the personal names of government officials.

(v) Completeness of documentation

All new investors shall be required to complete the appropriate Account Opening Form and provide necessary documents including valid evidence of identity.

(vi) Responsibility for completeness

The Sales Personnel engaged at customer level shall ensure that all documentary evidences and information provided by the investor are complete and consistent.

(vii) Review of completeness

Review of completeness of forms received at Al Meezan Head Office or its branches shall be done by Sales Reporting Personnel at these offices. In case forms are being collected by other distributors such as branches of Meezan Bank (MBL), the review shall be done by Operational Head of the location i.e. in case of MBL, Operational Head at the Branch.



2. AUTHENTICATION OF IDENTIFICATION

2.1 An integral part of the process of Investor Acceptance is Investor Identification and / or authenticating the identity of the Investor. Investor identification means identifying the person and verifying his/her identity by using reliable, independent source documents, data or information. The nature of information/documents required would also depend on the type of investor (individual, corporate, etc).

2.2 INDIVIDUAL INVESTOR

(i) Support for customer identification

In case of an Individual investor, copy of Valid CNIC/ NICOP shall be obtained and it shall be verified from VERISYS system of National Database and Registration Authority (NADRA) by Transfer Agent. However wherever required, responsibility of checking validity of CNIC shall be on the Sales Personnel engaged at customer level who shall ensure that CNIC is not expired.

(ii) Disclosure of source of Income

It shall be mandatory for all investors opening an account with Al Meezan to disclose their source of income on Al Meezan's Account Opening Form.

(iii) Support for income source

In case source of investor's income is from business / employment, adequate supporting document should be obtained as follows:

➤ Supporting document for salary income:

Employment card / Visiting card / Salary slip /Employment Letter/bank maintenance letter/employer domain name and any other supporting document

➤ Supporting document for Business income:

Business card / Business Bank Statement / Business Utility Bill / Business letter head / Undertaking on Stamp paper / any other supporting document

(iv) Joint account holders

In the case of joint holders, identity verification shall be done in respect of all joint holders in the same manner as mentioned above;

(v) Letter of Thanks

Letter of Thanks shall be sent to new investors through registered post/ courier on his/ her given address in order to notify the investor that his/her account has been opened. This step will act as a good control measure as it will not only confirm the address of the investor but will also intimate the investor that an account has been opened in his/her name.



2.3 CORPORATE INVESTOR

In this case, documentation required shall be with respect to nature of investor.

(i) Joint Stock Company / Trusts

- Copy of valid (Un-expired) CNIC of all Directors / Trustees
- Certified copy of Memorandum and Articles of association / Trust Deed
- Certified Copy of Board / Trustee / Governing Body resolution

(ii) Clubs / Societies / Associations

- Certified Copy of Certificate of Registration
- Certified Copy of By Laws / Rules / Regulations
- Certified Copy of Board / Governing Body Resolution

(iii) Executors / Administrators

- Copy of valid (Un-expired) CNIC of all executors / Administrators
- Certified Copy of Letter of Administration

(iv) Partnership

- Details of Partners (Names / Father's name / Addresses / Phone numbers)
- Copy of valid (Un-expired) CNIC of all partners
- Certified Copy of partnership Deed

(v) For all cases

- List of Authorized Signatories with Specimen Signatures on Company Letter head / Certified Copy
- Valid (Un-expired) CNICs of all the above authorized signatories
- Tax & Zakat Exemption Certificates / Affidavits are mandatory if exempted

3. RISK MANAGEMENT

3.1 Risk grading

From Company's point of view, the risk associated with an investor account shall be graded as High / Low Risk on the following basis:

(i) Low Risk Investors

Individuals whose identities and sources of wealth can be easily identified shall be considered as low risk. In such cases, only the basic requirements of verifying the identity & location of the investor shall be met. Examples of low risk investors include:

- Individuals holding CNIC or NICOP
- Government sector employees
- Private sector employees
- Banking companies
- Public limited companies
- Government Departments;
- Government owned companies;
- Regulators and statutory bodies etc.

(ii) High Risk Investors

Enhanced due diligence measures shall be exercised for high risk investors, especially those for whom the sources of funds are not clear. High Risk investors may include:

- Non-governmental organizations (NGOs)
- House wives
- Holders of public or high profile positions/politically exposed persons (PEP)
- Not-for-profit organizations (NPOs)
- Private Companies
- Trusts / Charities
- All other types of investors

4. Enhanced Due Diligence (EDD)

Following Enhanced Due Diligence (EDD) process shall be performed for each category of the customers rated as High Risk Investors.



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4.1 Non-government organizations (NGOs)/ Not-for-profit organization / Trust / Charities

For Non-government organizations (NGOs)/ Not-for-profit organization / Trust / Charities following Enhanced Due Diligence procedures will be required:

4.1.1 Enhanced Due Diligence should be conducted while establishing relationship with NGOs to ensure these accounts are used for legitimate purposes. Approval from Regional Sales Head (on email) will be obtained prior to opening of such accounts.

4.1.2 The accounts should be opened in the name of relevant NGO/NPO as per title given in its constituent documents of the entity.

4.1.3 Obtain Copy of CNIC/Passport (in case of foreign national) from individuals who are authorized to operate these accounts and members of their governing body

4.2 Housewives

In relation to the housewives following additional procedure will be performed.

4.2.1 Obtain a self-declaration for source of income and beneficial ownership of funds.

4.2.2 Update details of funds providers, if any along with the customer profile.

4.2.3 Obtain CNIC copy of the beneficial owner and verify the same from NADRA verisys.

4.2.4 Obtain evidence of the source of income of the funds providers / beneficial owner.

4.3 Holders of public or high profile positions / Politically Exposed Person (PEP)

In relation to Holders of public or high profile positions / Politically Exposed Person (PEP) following additional procedure shall be performed:

4.3.1 Obtain approval from Regional Sales Head (on email) to establish or continue business relations where the customer or a beneficial owner is a PEP

4.3.2 Conduct during the course of business relationships, enhanced monitoring of business relations with the customer.

4.4 Private Companies

Following procedures will be required for opening accounts of the private companies:

4.4.1 Obtain Copy of CNIC/Passport (in case of foreign national) from individuals who are authorized to operate these accounts

4.4.2 Verify CNIC of the all the relevant person from NADRA verisys system.

4.4.3 Obtain approval of the Board of Directors for opening account with Funds under the management of Al Meezan Investment Management Limited.



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4.5 Miscellaneous:

- 4.5.1 Third party payment for redemption is allowed only if the payment is being made to the joint account holder after taking 3rd party letter from the principal account holder.**
- 4.5.2 Investment through 3rd party cheque should be supplemented with the signed third party letter by the cheque issuer**
- 4.5.3 No 3rd party investment shall be entertained if the payment instrument is drawn at sales person's bank account.**
- 4.5.4 Unit transfer from one customer to another shall be restricted to blood relations only.**



5. MONITORING AND REPORTING

5.1 Basis of monitoring

Continuous monitoring is an essential ingredient of effective KYC procedures and the extent of monitoring should be according to the risk sensitivity of the account.

5.2 Frequency of monitoring

There will be no regular reporting to the regulator on KYC/CDD/AML except as and when senior management has reasonable grounds to reach the conclusion that a specific transaction or client is involved in suspicious / money laundering activities. In such case, the instance shall be reported as a 'suspicious transaction'.

5.3 Indicative list of suspicious transactions

The following is an indicative list of suspicious transactions:

- Cash Transactions (If any):
- Third Party incoming payments:
- Transactions that do not make economic sense:
- Certain Suspicious Funds Transfer Activities
- Unusual Activities



6. UPDATION & RETENTION OF RECORDS

6.1 A continuous process

Know Your Customer is an ongoing process. The foundation of any customer due diligence and monitoring procedures lies in the initial collection of “Know Your Customer” information and the ongoing updating of that information. By keeping accurate and up-to-date investor records, the Company not only manages the risk but also reassures the investors that the Company cares about them.

In cases where it is extremely difficult to comply with a certain requirement as mentioned in this policy, the provision of any relaxation shall be considered by the Head of Compliance in consultation with the CEO.

6.2 Change in investor details

In case change in any of the following particulars, is requested by the investor, *Al Meezan Customer Services* shall call the customer and based on the same, shall confirm genuineness of requests to TA, based on which TA will make the change in investor’s records.

- (i) Change in Address
- (ii) Change in phone number
- (iii) Change in Bank Account details

6.3 Updation of Investor records

Investor records may also be updated *when*:

- Investor carries out a transaction;
- Investor visits the Company’s office;
- Existing investor opens a new account;
- Investor calls the Company for any information;
- At the time of sending account statements (Through reply envelope)
- At the time of sending FMR or any other communication;

6.4 Responsibility for records

The complete and accurate record of investors’ information and transactions shall be maintained by the Transfer Agent of the Company in line with the details submitted by the investors.

6.5 Retention of records

The details regarding the investors’ identification data, account files and business correspondence shall be retained for at least five years after the business relationship is ended.



7. AWARENESS OF STAKEHOLDERS

7.1 Internal stakeholders

For this purpose, training shall be provided on this KYC / CDD policy by Training Department. The focus of training shall be different for Transfer agent and IAS Department and the staff dealing with new investors such as sales team.

7.2 External stakeholders

The Company shall educate its investors about KYC / CDD requirements through its sales team, distributors and investment facilitators. For this purpose, pamphlets/ brochures/ other educational material may also be used by the Company.

7.3 Reliability of information submitted

The KYC / CDD program is dependent on the provision of required information by the investor; therefore any information/ disclosure provided by the investor will be considered as true and fair unless the Company has reasonable grounds to believe otherwise.